

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

April 3, 2023

Dr. Jane Close Conoley, President  
California State University, Long Beach  
1250 Bellflower Boulevard  
Long Beach, CA 90840

Dear Dr. Conoley:

**Subject: Audit Report 22-34, Athletics Fiscal Administration, California State University, Long Beach**

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

**CSU Campuses**

Bakersfield • Channel Islands • Chico • Dominguez Hills • East Bay • Fresno • Fullerton • Humboldt • Long Beach • Los Angeles • Maritime Academy • Monterey Bay  
Northridge • Pomona • Sacramento • San Bernardino • San Diego • San Francisco • San José • San Luis Obispo • San Marcos • Sonoma • Stanislaus

# **ATHLETICS FISCAL ADMINISTRATION**

**California State University,  
Long Beach**

Audit Report 22-34  
April 3, 2023

## 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 December 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. For instance, we found that due to the departure of key administrators and COVID-19 closures, detailed budgets were not prepared during fiscal year 2021/22, and improvements were needed in the budget allocation process and monitoring and tracking of budget variances. Additionally, we noted that equipment inventory was not adequately secured, inventory counts were not conducted annually, and the department did not dispose of old equipment per department policy.

We also found that trade-out agreements were not reported to the campus designee for gifts to agency for review of potential personal benefits, and conflict-of-interest forms for employees in designated positions were not consistently maintained. In addition, we noted that team travel expense claims were not consistently submitted in a timely manner.

Recent turnover in key administrator positions, such as the athletics director (resigned in August 2022) and the deputy athletics director (retired in December 2020) may have contributed to some of the observations noted above. Prior to our audit, the department had named an interim athletics director and hired an assistant athletic director for budget and financial services to focus on some of the areas reviewed.

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

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. BUDGET MANAGEMENT

#### OBSERVATION

The budget process for the athletics department needed improvement.

We found that the department did not follow its budget process during the audit period. Specifically, due to the departure of key administrators and COVID-19 closures, detailed budgets were not prepared during fiscal year 2021/22, and budgets for the prior year had not been reviewed and approved. In addition, because revenues were uncertain due to COVID-19 closures, some areas within the department did not receive line-item budget allocations for their office or sport, and non-sports areas (such as facilities and event operations, communications and broadcasting, and external relations) were included within the department's main operating budget rather than receiving their own budget.

In addition, coaches were not held accountable to the budgets assigned to their sports, and budgets did not always reflect actual balances and included costs from prior fiscal years.

Clear documentation of the athletics department's budget, including appropriate reviews and approvals, helps to ensure proper oversight and appropriate use of financial resources, and to enhance financial planning processes.

#### RECOMMENDATION

We recommend that the campus develop and implement a comprehensive budget process for the athletics department, including timely approval of budgets and periodic review of spending to identify variances, and communicate those requirements to athletic department heads to ensure compliance with budgeted funds.

#### MANAGEMENT RESPONSE

We concur. The campus will develop and implement a comprehensive budget process for the athletics department, including timely approval of budgets and periodic review of spending to identify variances, and communicate those requirements to athletic department heads to ensure compliance with budgeted funds by September 8, 2023.

### 2. EQUIPMENT INVENTORY

#### OBSERVATION

Administration of property and equipment needed improvement to ensure safeguarding of assets, completion of physical inventory, and disposal of assets.

Per the campus *Property Manual*, property management is responsible for tagging all capitalized property and equipment with a value of \$5,000 or more owned by the university.

The athletics department is responsible for managing non-capitalized apparel and equipment, and the department's policy requires physical inventory counts of those items every year.

We toured four locations where athletics department equipment was maintained and reviewed 10 assets from the campus asset management system, and we found that:

- One item from the campus property management asset list with an acquisition value of \$7,085 was not tagged.
- Equipment was not adequately secured. We identified boxes of equipment and apparel in hallways that were accessible to other campus employees, students, and visiting teams. Equipment was also stored in a room that was accessible to the dance team and student-athletes. The campus indicated that goods had been stolen from this location during COVID-19 closures.
- The department did not follow its own policy regarding disposal of items. We identified team apparel and equipment dating as far back as 1991 stored in additional storage space in the kinesiology department. These goods were not included or tracked in the department's inventory system.
- The department had not conducted physical inventory counts of equipment and apparel in the past two years.

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 a fixed asset tag or ID number to the untagged athletics asset noted above.
- b. Ensure that athletics equipment and apparel are adequately secured to prevent theft of goods.
- c. Communicate procedures to appropriate personnel regarding the disposal of goods that are no longer useful to the department and update inventory records to ensure that all athletics department assets are accounted for.
- d. Conduct an inventory of non-capitalized equipment and apparel in the athletics department and communicate procedures for performance of annual inventory counts to the appropriate personnel.

#### **MANAGEMENT RESPONSE**

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

- a. Assign a fixed asset tag or ID number to the untagged athletics asset noted above.

- b. Ensure that athletics equipment and apparel are adequately secured to prevent theft of goods.
- c. Communicate procedures to appropriate personnel regarding the disposal of goods that are no longer useful to the department and update inventory records to ensure that all athletics department assets are accounted for.
- d. Conduct an inventory of non-capitalized equipment and apparel in the athletics department and communicate procedures for performance of annual inventory counts to the appropriate personnel.

### 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 to the campus designee for gifts to agency for additional review. There were 20 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 the campus designee for gifts to agency for additional review.

#### MANAGEMENT RESPONSE

We concur. The campus will implement a process to report trade-outs to the campus designee for gifts to agency for additional review by June 30, 2023.

### 4. CONFLICT-OF-INTEREST REPORTING

#### OBSERVATION

The process for ensuring that designated employees completed required conflict-of-interest (COI) filings needed improvement.

We reviewed the most recently completed COI and outside-employment disclosure forms for five designated positions, and we found that two athletics employees hired in 2014 and 2018

did not complete the initial electronic filing of the COI form. Additionally, renewal COIs for both employees had not been completed by the 2022 deadline.

Adequate administration of COI forms decreases the risk of noncompliance with governmental requirements and potential regulatory scrutiny.

**RECOMMENDATION**

We recommend that the campus communicate the process for identifying employees responsible for completing an annual COI form to appropriate campus personnel.

**MANAGEMENT RESPONSE**

We concur. The campus will communicate the process for identifying employees responsible for completing an annual COI form to appropriate campus personnel by May 8, 2023.

**5. TEAM TRAVEL**

**OBSERVATION**

Administration over team travel expenditures needed improvement.

For athletics team travel, Travel Expense Claims (TEC) are created and compiled manually by the athletics financial specialist for each trip. Trip expenses may be incurred from a variety of sources. Coaches are issued campus credit cards (One Cards) to pay for travel-related expenses, and as travel-related costs are incurred, receipts are submitted as part of the campus One Card monthly reconciliation process. However, travel-related expenses must also be tracked and submitted separately in a TEC to associate them with a specific trip. Additionally, travel expenses can be incurred in advance, for example, to register for sporting events and book flights and/or hotels, but cannot be submitted until the trip has been completed. Furthermore, travel costs for one trip or TEC may be incurred by multiple employees, such as coaches and assistant coaches. As a result, the department maintains a separate file for each trip in which the athletics financial specialist must track and maintain all the charges for each trip and all the related supporting documentation (receipts, business purpose, etc.) until the final One Card statement for purchases during the trip is received and the TEC is ready to be submitted.

We reviewed TECs for 10 team trips for completeness, approvals, and timely submission, and we found that in six cases, TECs were not submitted within 30 days of travel, which is required by the campus travel policy. The TECs were submitted between 60 to 90 days after the trip took place.

Timely submission of TECs decreases the risk of unauthorized, unnecessary, or non-business expenditures.

**RECOMMENDATION**

We recommend that the campus develop a more streamlined process for managing team travel and explore the possible use of Concur to manage travel expenses for more organized and timely submission of TECs.

**MANAGEMENT RESPONSE**

We concur. The campus will develop a more streamlined process for managing team travel and explore the possible use of Concur to manage travel expenses for more organized and timely submission of TECs by September 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). CSU campuses are subject to EADA because they accept federal financial aid funds.

California State University, Long Beach (CSULB) is generally considered a mid-major conference institution for athletics purposes. CSULB’s intercollegiate athletics teams, who use the moniker “Beach” (except for the men’s baseball team, called the Dirtbags) compete at the NCAA Division I level. The campus supports intercollegiate teams in seven men’s sports and 10 women’s sports as follows:

SPORT	MEN’S	WOMEN’S
Baseball	√	
Basketball	√	√
Beach Volleyball		√
Cross Country	√	√
Golf	√	√
Soccer		√
Softball		√
Tennis		√
Track and Field (Combined Outdoor and Indoor)	√	√
Volleyball	√	√
Water Polo	√	√

In fiscal year (FY) 2020/21, 365 CSULB student-athletes (171 men and 194 women) participated in the 17 intercollegiate athletics programs, per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at CSULB include the Walter Pyramid, a multipurpose indoor sports arena that holds basketball and volleyball courts, a baseball field, a softball complex, a track and field stadium, an aquatics center, a tennis center, a soccer field, and beach volleyball courts.

At CSULB, the athletics department is administered by a director of athletics who reports directly to the vice president, administration and finance. One deputy athletics director and many associate athletics directors and assistant athletics directors are responsible for various athletics operations including facilities, operations, and event management; communications; financial services; human resources services; marketing; health and wellness; and external relations. The director of athletics, deputy athletics director, and three associate athletics directors also oversee particular sports and act as the direct reporting line for the head

coaches of those sports. The assistant athletic director of budget and financial services oversees three staff members who assist teams with various financial responsibilities, including budgeting, 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 compliance, academic advising, and the faculty athletics representative.

Athletic funds at CSULB 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.

## SCOPE

We performed fieldwork from October 17, 2022, through December 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 December 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, administrative, and financial controls, included interviews, walkthroughs, and detailed testing on certain aspects of athletics. 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*

## AUDIT TEAM

Audit Manager: Christina Chen  
Acting Audit Manager: Kyle Ishii  
Senior Auditor: Brenda Auner