

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

October 3, 2023

Dr. Erika D. Beck, President  
California State University, Northridge  
18111 Nordhoff Street  
Northridge, CA 91330

Dear Dr. Beck:

**Subject: Audit Report 22-41, Athletics Fiscal Administration, California State University, Northridge**

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: Mildred García, Chancellor  
Yammilette Rodriguez, Chair, Committee on Audit  
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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# **ATHLETICS FISCAL ADMINISTRATION**

**California State University,  
Northridge**

Audit Report 22-41  
October 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 June 16, 2023, 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 fiscal administration of the athletics department; however, we identified several areas that needed improvement. Recent turnover in key administrator positions, such as the athletics director and the associate athletics director for finance and business operations, as well as the associate athletic director for administration and operations, may have contributed to some of the observations. Specifically, we found that the campus did not have documented procedures related to non-capitalized apparel and equipment and did not perform annual physical inventories of these items. Further, we found that roles and responsibilities for trade-outs were not clearly defined, and trade agreements were not always monitored and tracked and were not reported to the campus designee for gifts to agency.

We also found that the review and approval process needed to be strengthened to ensure compliance with campus requirements for expenditure processing, and three locations did not always follow cash-handling best practices. In addition, outside employment forms were not always completed.

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

## **OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES**

### **1. ATHLETIC EQUIPMENT, APPAREL, AND GEAR**

#### **OBSERVATION**

Administration of athletic equipment, apparel, and gear (equipment) needed improvement to ensure proper recording, tracking, and disposal of non-capitalized athletic equipment.

The athletics department is responsible for managing non-capitalized athletic equipment. We found that the campus did not have documented procedures for the recording, tracking, and disposal of athletic equipment. We also found that the campus did not always record and track athletic equipment and did not perform annual physical inventories of these items. Due to staff turnover, we were not able to determine when the last physical inventory was performed.

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

#### **RECOMMENDATION**

We recommend that the campus:

- a. Develop and implement procedures regarding the recording, tracking, and disposal of athletic equipment, and communicate these procedures to appropriate personnel.
- b. Develop a schedule for the physical inventory of athletic equipment, conduct a physical inventory, and update inventory records.

#### **MANAGEMENT RESPONSE**

We concur. The campus will develop and implement written procedures as noted above, develop a schedule for physical inventories of athletics equipment, document any physical inventories conducted, and update inventory records accordingly.

Expected completion date: January 19, 2024

### **2. TRADE-OUTS**

#### **OBSERVATION**

Administration of trade-out agreements needed improvement.

Integrated California State University Administrative Manual (ICSUAM) §1202, *Athletics Trade Usage*, states that athletic department heads shall be responsible for the full use, monitoring and reporting of trade usage activity originating in their respective areas. In addition, it requires that when benefits will be used by employees, trade usage agreements must be

reported to the campus designee for gifts to agency, who determines whether the trade constitutes a personal benefit to the faculty or staff member.

We noted that Learfield was responsible for obtaining and providing trade-outs (goods or services provided in exchange for sponsorship rights) to the athletics department through an agreement with the University Corporation. We found that the campus did not have clearly defined roles and responsibilities for the administration of these trade-outs. For example, the campus did not maintain a complete list of trade-outs that occurred during the audit period. During fieldwork, we received trade-out documentation for food only, and we found that it was not sufficient to properly track and monitor usage of the trade. The campus did provide lists of additional types of trade-outs after fieldwork; however, when we requested supporting documentation for four items on the lists totaling \$21,725, the campus was unable to provide evidence of monitoring for any of them.

We also found that the campus did not have a procedure to report trade agreements to the campus designee for gifts to agency for additional 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:

- a. Define and document roles and responsibilities for administration of trade-outs and implement a process to report trade-outs to the campus designee for gifts to agency for additional review.
- b. Develop and implement a process within the athletics department to adequately track and monitor traded items and services to ensure they are received and used as intended.

#### **MANAGEMENT RESPONSE**

We concur.

- a. The University Corporation and athletics department will define roles and responsibilities for administering trades-outs. The Athletics department will develop a process to report trade-outs to the campus designee for gifts to agency.
- b. The athletics department will develop a process to track and monitor traded items and services. The University Corporation will provide input to this process.

Expected completion date: January 19, 2024.

### 3. ATHLETICS TRAVEL

#### OBSERVATION

Administration of athletics travel expenditures needed improvement.

We reviewed travel expense claims (TEC) for 10 athletic team trips and two recruitment trips for completeness, approvals, and timely submission, and we found that:

- 10 of the 12 TECs were not submitted within 60 days of the last day of travel, as required by California State University (CSU) *Travel Policy*. The TECs were submitted between 67 and 206 days after the last day of travel. Additionally, none of the 10 team travel TECs were submitted within 14 days of travel per athletics department requirements, which are more restrictive than the systemwide policy.
- In seven instances, we found discrepancies between the expenses included in the TEC and expenses incurred on the One Card (campus-issued travel card). The travel coordinator assigns a trip requisition number to each One Card expenditure to identify the associated trip, and the cardholder reviews it during the One Card reconciliation. However, there is no reconciliation between the One Card expenses identified for each trip and the completed TEC.
- In one instance, the travel authorization was not fully approved prior to an international recruitment trip due to oversight. The request was authorized 58 days after the start of travel.

Compliance with CSU system and campus travel guidelines reduces the risk of unauthorized, unnecessary, or non-business expenditures.

#### RECOMMENDATION

We recommend that the campus:

- a. Implement procedures to ensure recorded travel expenses incurred on the One Card align with the TEC.
- b. Review and update department travel requirements as needed to address the issues noted above and provide refresher training to athletic department personnel on current travel requirements.

#### MANAGEMENT RESPONSE

We concur. The athletics department will develop and implement written procedures as described above. The athletics department will also update departmental travel requirements as needed and retrain athletic department personnel on current travel requirements.

Expected completion date: January 19, 2024.

#### 4. ATHLETICS EXPENDITURES

##### **OBSERVATION**

Administration of athletics expenditures, including contract oversight and purchases made with campus-issued credit cards (P-card), needed improvement.

We reviewed 30 campus expenditures for supporting documents and proper approvals, and we found that the campus did not provide sufficient oversight for one agreement related to psychological consulting services for student-athletes. Specifically, the campus was unable to provide documentation of certain deliverables required by the contract, such as operation manuals for protocols and policies; documentation of the results for individual and team counseling, presentations, and workshops; and periodic management updates for project status. The initial agreement was for \$95,000 for a performance period from September 2020 to May 2021, and the agreement was extended from July 2021 to June 2022 for \$160,000. The campus noted that the lack of documentation may be due to the fact that the person who was in charge of the contract is no longer with the campus.

In addition, we found two P-card purchases were not properly approved due to staff turnover. We confirmed with management that both purchases were appropriate.

Adequate contract oversight and proper administration of expenses help to ensure that all expenditures are appropriate and allowable.

##### **RECOMMENDATION**

We recommend that the campus:

- a. Remind relevant athletics department and other personnel responsible for processing and approving payments of the responsibility to retain related documentation, including any required deliverables, to support the payment.
- b. Timely update the delegation of authority for approving P-card transactions when there are personnel changes.

##### **MANAGEMENT RESPONSE**

We concur.

- a. The campus will remind relevant athletics department and other personnel responsible for processing and approving payments of the responsibility to retain related documentation, including any required deliverables, to support the payment.
- b. The campus will timely update the delegation of authority for approving P-card transactions when there are personnel changes.

Expected completion date: January 19, 2024

## 5. CASH HANDLING

### OBSERVATION

Administration of cash-handling processes needed improvement.

We reviewed cash-handling practices at the athletics business office, intercollegiate athletics office, and the Associated Students (AS) box office and found that:

- Unannounced change fund counts were not performed monthly; instead, the cash counts were performed annually. In addition, the most recent cash count was not performed by an independent individual, but rather by the custodian’s supervisor.
- One location did not maintain adequate separation of duties. Specifically, we found that one employee collected and reconciled cash receipts, prepared deposits, and delivered them to the university cash services office. In addition, deposit counts were not verified by a second person.
- One location did not update the safe combination on a three-year cycle as required by campus and CSU systemwide policies. We reviewed the access list, and it appeared to be appropriate.
- One location did not maintain a log of checks received and did not endorse checks immediately upon receipt.

Compliance with cash-handling requirements reduces exposure to risk of loss, theft, or misappropriation of funds, and strong policies and procedures advise employees of cash-handling standards set by the campus and CSU.

### RECOMMENDATION

We recommend that the campus, in conjunction with AS:

- a. Reiterate cash-handling procedures related to unannounced change fund cash counts and safe combination requirements to appropriate personnel.
- b. Establish adequate separation of duties at the location noted above.

### MANAGEMENT RESPONSE

We concur.

- a. The campus, in conjunction with AS, will hold cash-handling training related to unannounced change fund cash counts for all ticket office employees.
- b. The athletics department will reiterate safe combination requirements to appropriate personnel and establish adequate separation of duties at the location noted above.



Expected completion date: January 19, 2024

## 6. OUTSIDE EMPLOYMENT

### **OBSERVATION**

The process for ensuring that management personnel plan (MPP) employees completed the required outside employment disclosure (OED) filings needed improvement.

We reviewed the most recently completed OED forms for five MPP employees, and we found that the OED form was not provided to three employees upon hire as an MPP and had not been completed at the time of our review. The three employees were promoted from faculty to MPP.

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

### **RECOMMENDATION**

We recommend that the campus develop and implement a process to ensure that MPP employees timely complete initial OED forms at the time of promotion to the MPP classification.

### **MANAGEMENT RESPONSE**

We concur. The campus will develop and implement a process to ensure that MPP employees timely complete initial OED forms at the time of promotion to the MPP classification.

Expected completion date: January 19, 2024

## GENERAL INFORMATION

### BACKGROUND

The 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, Northridge (CSUN) is home to 19 NCAA Division I teams. CSUN’s intercollegiate athletics teams, known as the Matadors, primarily compete in the Big West conference. The campus supports intercollegiate teams in eight men’s sports and 11 women’s sports as follows:

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

In fiscal year (FY) 2021/22, 358 CSUN student-athletes (174 men and 184 women) participated in the 20 intercollegiate athletics programs, per the annual EADA report.

On-campus athletic facilities that have ticketed spectators include a sports arena for basketball and volleyball, baseball field, soccer field, and softball field. Additional athletics facilities on campus include a tennis complex, track and field complex, pool, and beach volleyball facility.

At CSUN, the athletics department is administered by a director of athletics (AD) who reports to the vice president of administration and finance. One deputy athletics director and many associate athletics directors and assistant athletics directors are responsible for various athletics operations including sports communications, finance and business operations, sports medicine, strategic planning and human resources (HR), compliance, and special projects. The AD, deputy athletics director, and senior associate athletics director oversee assigned sports and act as the direct reporting line for the head coaches of those sports. The assistant athletic director of strategic planning and HR oversees three staff members who assist teams with various financial responsibilities, including operational expenses and team travel. The athletics

department also houses various functions that report to the AD, as well as outside parties, including external relations and the faculty athletics representative.

Athletic funds at CSUN are held in campus and auxiliary organization accounts. Funds held in campus accounts must follow requirements in the 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 April 11, 2023, through June 16, 2023. 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 January 1, 2021, to June 16, 2023.

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. 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 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*
- *CSUN Athletics Team Travel*
- *CSUN Cash Handling Procedures*
- *CSUN Procurement Card Handbook*

## AUDIT TEAM

Senior Audit Manager: Christina Chen  
Senior Auditor: Laura Vazquez