

CONFIDENTIAL

UCSB AUDIT AND ADVISORY SERVICES

October 12, 2010

ATHLETICS DIRECTOR MARK MASSARI:

Re: Intercollegiate Athletics
Audit Report No. 08-10-00013

As part of the 2009-10 annual audit plan, Audit and Advisory Services conducted an audit of Intercollegiate Athletics. Enclosed is the audit report detailing the results of our review.

The purpose of the audit was to evaluate the adequacy of internal controls and business practices used to monitor revenue and expenses and ensure compliance with University policies and procedures and National Collegiate Athletic Association (NCAA) regulations. The scope of the review included discussions with Intercollegiate Athletics management and staff and limited testing of cash collections, payroll processing and recordkeeping, coaching staff limits and contracts, travel, athletic scholarships, summer camps and clinics, financial reporting, and the NCAA certification process.

Based on the results of the work performed within the scope of the audit, Intercollegiate Athletics has established effective systems of internal controls to help ensure compliance with NCAA regulations. However, our review did identify areas where internal controls could be strengthened over monitoring revenue and expenses. These areas included cash collections, payroll processing and recordkeeping, travel, summer camps and clinics, and financial reporting. The more significant of these findings included the following:

- Discussions with the Assistant Athletic Director indicated that reconciliations are not being completed between the Game Sales Report and the deposit slip received from BARC. Instead, the deposit slip received from the Ticket Manager is compared to the deposit slip received from BARC. There is no verification that the amounts deposited are the correct amounts.
- Analysis of five merchandise deposits indicated that four deposits were not made in a timely manner. In one instance, a deposit was made three weeks after the event occurred. In three instances, deposits were made one week after the event occurred.
- Review indicated that some employees exceeded the maximum amount of compensatory time that an employee can accrue. In one instance, an employee's compensatory balance was 381.50 hours, which is 141.50 hours over the maximum. In another instance, an employee's compensatory balance was 426 hours, which is 186 hours over the maximum. UC Personnel Policies for Staff Members state that, "no more than 240 hours of compensatory time may be accrued."

- Discussion with the Assistant Business Manager disclosed that hourly employees' timecards are not compared to the Distribution of Payroll Expense Reports (DPERS) to see if the correct amounts are paid. In addition, DPERS are currently not initialed or signed to document their review.
- An assessment of recruiting travel vouchers indicated that all recruiting travel was completed within the permissible recruiting period established by the NCAA and that all recruiting coaches successfully completed the NCAA annual certification recruiting rules exam. However, there were issues with voucher timeliness, object code usage, reimbursements, and supporting documentation.
- Review of travel vouchers that included travel advances indicated that all vouchers included adequate supporting documentation to account for team meal expenses and to substantiate that travel was in compliance with NCAA legislation. However, multiple travel advance requests were missing from departmental files, and some cash advances did not appear to be a reasonable estimate of out-of-pocket expenses.
- Review of 11 team travel vouchers with travel advances indicated that the meal money allowance is not evenly distributed between sports. Meal money received by student-athletes and coaches ranged from \$25 to \$32 per person, per day. For 18 of the 20 sports, meal money is distributed to student-athletes to purchase food. However, Men's and Women's Basketball distributes a small fraction of the travel advance meal money since most of their meals are purchased by the Director of Operations.
- According to NCAA Bylaw 13.12.11, "an institution's sports camp or instructional clinic shall be any camp or clinic that is owned or operated by a member institution or an employee of the member institution's athletic department, either on or off its campus, and in which prospective student-athletes participate." Discussions with the Executive Associate Athletics Director, Internal Affairs/SWA and the Assistant Chancellor, Budget and Planning indicated that there are inconsistencies in whether a camp that is owned and operated by an Intercollegiate Athletics coach is considered an institutional camp. Based on Bylaw 13.12.11, Intercollegiate Athletics considers private camps as institutional camps since they meet the requirements of the NCAA legislation. However, the Assistant Chancellor, Budget and Planning indicated that these camps are financially autonomous from the University and should not be considered as institutional camps.
- Discussion with the Financial Analyst indicated that Men's Soccer coaches use University purchasing agreements to obtain discounts on apparel for their private camps. Coaches reimburse the University for the incurred expenses since the Request for Delivery documents indicate that these are camp expenditures. Camp apparel is received by Intercollegiate Athletics and is given to the coaches by the Team Services Coordinator. However, BUS-43, Material Management, states, "University credit, purchasing power, and facilities shall not be used to purchase goods or services for individuals or for non-University activities."
- Testwork indicated that improvement is needed in the process for accumulating and reporting information for the annual Statement of Revenues and Expenses submitted to the NCAA. Intercollegiate Athletics staff used financial journals to transfer revenues/expenditures, rather than appropriations via the Transfer of Funds System for fiscal close. This caused numbers on the report

to differ from the general ledger. In addition, the process for collecting the data for the Statement of Revenues and Expenses was decentralized. Multiple individuals were responsible for gathering the financial information, and some individuals may have been unaware of how others were pulling the data. This business practice increases the likelihood of double counting or exclusion of certain revenues or expenditures.

We have included a copy of our detailed observations and management corrective actions to this cover memo. The management corrective actions provided indicate that each audit observation was given thoughtful consideration and that positive actions have been taken to implement the management corrective actions. The cooperation and assistance provided by Intercollegiate Athletics staff during the review was sincerely appreciated. If you have any questions, please feel free to contact me.



Craig Whitebirch
Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
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INTERCOLLEGIATE ATHLETICS
AUDIT REPORT NO. 08-10-00013

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INTERCOLLEGIATE ATHLETICS
AUDIT REPORT NO. 08-10-00013

Purpose and Scope

The purpose of the audit was to evaluate the adequacy of internal controls and business practices used to monitor revenue and expenses and ensure compliance with University policies and procedures and National Collegiate Athletic Association (NCAA) regulations.

The scope of the review included discussions with Intercollegiate Athletics management and staff and limited testing of cash collections, payroll processing and recordkeeping, coaching staff limits and contracts, travel, athletic scholarships, summer camps and clinics, financial reporting, and the NCAA certification process.

Background

The primary mission of University of California, Santa Barbara (UCSB) Intercollegiate Athletics is to provide an opportunity for widespread participation in intercollegiate athletics and to enhance the student-athlete's education through competition at the Division I intercollegiate level. Intercollegiate Athletics program offers ten varsity sports for men and ten for women which is in compliance with the Equity in Athletics Disclosure Act. In 2009-10, UCSB reclaimed the Big West Conference Commissioner's Cup which is presented to the institution with the best overall results in the conference's 18 sponsored sports championships. In addition, UCSB has been selected to host the 2010 NCAA Men's College Cup which is the sixth time the championship has taken place in California.

Intercollegiate Athletics has undergone a change in leadership and management during the last few years. The current Director for Intercollegiate Athletics assumed his position in August of 2008. Intercollegiate Athletics business operations consist of the seven following main lines of business: ticket sales, undergraduate and graduate lock-in fees, contributions, NCAA and Big West Conference distributions, advertisements/sponsorships, donations/booster support, and sport camps. During fiscal year 2009-10, Intercollegiate Athletics' budget was approximately \$11.3 million. Intercollegiate Athletics is currently staffed with approximately 79 staff employees and 50-70 student employees.

Summary Opinion

Based on the results of the work performed within the scope of the audit, Intercollegiate Athletics has established effective systems of internal controls to help ensure compliance with NCAA regulations. However, our review did identify areas where internal controls over monitoring revenue and expenses could be strengthened. The more significant of these areas included cash collections, payroll processing and recordkeeping, travel, summer camps and clinics, and financial reporting.

The audit observations and management corrective actions are detailed in the remainder of the audit report.

Detailed Observations and Management Corrective Actions

A. Cash Collections

Cash collection sources for Intercollegiate Athletics includes event ticket sales, merchandise, fundraisers, guarantees, summer camps, and donations. A review was performed of internal controls in place to ensure that cash collections from ticket and merchandise sales were processed in accordance with Business and Finance Bulletin BUS-49 (BUS-49), "Policy for Cash and Cash Equivalents Received." The Ticket Office is staffed with a Ticket Manager, Assistant Ticket Manager, and a student intern. In June 2010, the Assistant Ticket Manager position became vacant. To ensure compliance with University policies and procedures, a judgmental sample of five Game Sale Reports (GSR) and five merchandise sales deposits were selected from the period July 2008 to December 2009. GSR were reviewed to ensure that deposit amounts agreed with supporting documentation and were timely, and that Game Sales Report: Totals (GSRT) and over/shorts were approved by the supervisor. Merchandise deposits were reviewed for timeliness and to ensure that deposit amounts agreed with UCSB Event Count Sheets, over/shorts were approved by the supervisor, and transfers of accountability for cash were documented and signed by both parties. The following were noted:

1. Preparation and Reconciliation of the Game Sales Report/Merchandise Sales

Monies collected for the sales of event tickets are processed through ticket sellers at the events as well as in the Ticket Office. Sales at events are documented on ticket sellers' GSR. Review indicated that all five GSRT were reviewed and approved by the supervisor. In addition, four GSRT contained over/shorts which were reviewed and approved by the supervisor. However, there were issues with deposit reconciliation, recording income to the correct account, timeliness of deposits, check endorsements, refunds, individual accountability, and the over/shorts account. The following was noted:

- Reconciliation of Deposit to Game Sales Report/Merchandise Sales

Game Sales Report

Review of five GSR indicated that three could not be reconciled to the deposit for the event. The Ticket Manager indicated that, during the three selected events, tickets were sold throughout the day and included with the deposit. The tickets sold before the events

were included in the advance sales section of the GSRT, while tickets sold at the event were placed in the day of game section of the GSR.

Discussions with the Assistant Athletic Director indicated that reconciliations are not being completed between the GSR and the deposit slip received from BARC. Instead, the deposit slip received from the Ticket Manager is compared to the deposit slip received from BARC. The amounts on the deposit slip from BARC are compared to the campus general ledger. There is no verification if the amounts being deposited are the correct amounts. BUS-49 states, "a full accounting of 'tickets sold' against cash received and amount posted to the general ledger should be completed periodically to make certain that assets distributed at the point of sale are properly converted to cash and that the cash is being deposited into the cashier's cash box."

Merchandise Sales

Review of five merchandise deposits indicated that in four instances, amounts of cash reported on the UCSB Event Cashout Sheet differed from the amount expected for indicated sales. In one case, the amount of cash collected exceeded the amount of cash expected by \$3. In three cases, the amount of cash collected was less than the amount expected by \$25, \$11, and \$17, for a total of \$53. For all four cases, the over and shorts were approved by the Student Manager.

The Assistant Athletic Director indicated that she does not receive any backup from the merchandise sales except for the deposit slip. There is no way for her to reconcile merchandise sales to the deposits in order to ensure that correct amounts are getting deposited.

- Income Account

During the review, it was concluded that one event's sales (\$1,039) was not deposited into the correct account. Rather, money was deposited into the "Other Sport Income" account instead of the Women's Volleyball account. Discussion with the Ticket Manager indicated that she was unaware that Women's Volleyball had their own income account.

- Deposit Timeliness

Ticket Sales

Review indicated that in one instance, a sale of \$1,780 from an event was not deposited in a timely manner. The event occurred on a Saturday, while the cash receipts were deposited on the following Tuesday. BUS-49 states, "collections at sub-cashiering stations and departments shall be deposited at the designated main cashiering station at least weekly or whenever collections exceed \$500."

Merchandise Sales

Analysis of five merchandise deposits indicated that four deposits were not made in a timely manner. In one instance, a deposit was made three weeks after the event occurred. In three instances, deposits were made one week after the event occurred.

Donations

Discussion with the Assistant Athletic Director indicated that donations received by Intercollegiate Athletics are not deposited the same day they are received. However, donations are deposited within a week of receiving them. According to UCSB Policy 3010, Solicitation and Acceptance of Gifts, "gifts and awards in the form of cash and checks must be deposited at a campus cashiering station on the day it is received."

- Check Endorsement

Ticket Sales

Discussion with the Ticket Manager indicated that checks are endorsed when money is brought back from the event. BUS-49 states, "immediately upon receipt, checks must be restrictively endorsed 'for deposit only.'"

Donations

Discussion with the Assistant Athletic Director indicated that donation checks are endorsed when the Financial Analyst receives them from the Associate Athletics Director for Development.

- Refunds

The Ticket Manager indicated that only the Ticket Manager and Assistant Ticket Manger are allowed to issue refunds. Discussions with Intercollegiate Athletics staff indicated that cash refunds are not documented on the GSR, while credit card refunds are noted on the batch report. Refunds are not explained nor are they approved in writing. BUS-49

states, “reductions of recorded cash accountability, e.g., voids and refunds, must be supported by all copies of the document involved, explained, and approved in writing by the cashier’s supervisor at the time of occurrence where practical, but no later than the end of the day.”

- Individual Accountability

BUS-49 states, “individual accountability must be maintained and documented for all cash handling procedures.” According to the Ticket Manager, multiple individuals in the Ticket Office have access to process transactions on the department’s cash register. It was noted that the amount of transactions range from none to over 20 in a day depending on the time of the year.

- Transfers of Cash Accountability

According to BUS-49, “all transfers must be documented and the documentation of accountability maintained by category (i.e., currency, checks and other forms of payment).” Review indicated that in five instances, merchandise sales transfer of cash accountability from the student interns to the Student Manager were documented and signed by both parties, but transfers of cash accountability from the Student Manager to the Marketing Business Services Coordinator were not signed by both parties.

- Over/Shorts Account

Discussion with the Assistant Athletic Director indicated that any over and shorts from sales of event tickets and merchandise are not charged to an over/short account since one has not been set up.

To strengthen internal controls over reconciliation of the GSR and merchandise sales, Intercollegiate Athletics could implement the following:

- A new form could be created for Ticket Office sales to account for ticket sales that occur before an event. The new form along with the ticket seller’s GSR should be reconciled to the deposit by someone in the Business Office to ensure that the appropriate amount of sales is deposited into the correct income account.
- The GSR could have a line added for the supervisor to sign to substantiate (or attest?) that sales have been accounted for, as well as having any over/shorts or refunds reviewed and approved.

- A refund form could be created to document, explain, and have a line for an approval from the supervisor.
- Ticket sales that exceed \$500 should be deposited the same day or in the case when an event occurs on the weekend, the following Monday.
- Since the cash register in the Ticket Office does not have the ability to have user names or passwords to identify individual users, individuals could be assigned to conduct sales for certain time periods throughout the day. A form could be created to identify sales with specified personnel.
- Ticket sellers should endorse checks immediately when received.
- For merchandise inventory sales, a line could be added to the UCSB Event Cashout Sheet for the Marketing Business Services Coordinator to sign to document the transfer of accountability from the Student Manager.
- As a best business practice, the department could set up an over/short account to track and charge over/shorts for both ticket and merchandise sales.
- As with ticket sales, cash collections from merchandise sales should be deposited weekly or whenever cash collections exceed \$500. Also, since cash collections for ticket sales and merchandise inventory both occur on game days, deposits for ticket sales and merchandise inventory could be transported to Central Cashiers at the same time.
- Donations should be deposited the day they are received in the department, in addition to endorsing checks immediately. Discussion with the Financial Analyst indicated that donation checks are mailed to various people and that centralizing the receipt of donation checks could improve timeliness. Donation solicitation literature and the Athletics website could indicate a specific individual as part of the address to send donation checks.

Management Corrective Actions

As of August 1, 2010, a new form has been created by the Ticket Manager titled "Advance Sales" which will be used to account for ticket sales which occur prior to an event. Each sport will have a separate Advance Sales sheet. Starting by October 15, 2010, the Advance Sales and the GSR will be reconciled to the deposits by the Financial Analyst in the Business Office.

As of August 20, 2010, the Ticket Manager created a new GSR which has had a line added for the supervisor's signature to account for sales and any over/shorts which may have occurred.

As of August 1, 2010, the Ticket Manager has created a "Refund/Void Form" which documents and explains any refunds or voids occurring in the Ticket Office. Once completed, the supervisor will sign the form denoting approval.

As of September 1, 2010, the Ticket Manager will be responsible for ensuring that ticket sales exceeding \$500 will be deposited on the same day, or on Monday for weekend games.

In regards to the Cash Register in the Ticket Office, the Ticket Manager states that it is rarely used, since most sales are by credit card. There will only be three people within the Ticket Office who will be conducting sales and it would be unrealistic, due to the small staff, to have only one person assigned to the cashier at one time. It will be the Ticket Manager's responsibility to monitor cash register activity.

As of August 16, 2010, the Ticket Manager purchased an Athletics Department endorsement stamp and checks will be endorsed immediately in the Ticket Office, or at venues where tickets are being sold. (Rarely, do we receive checks for tickets purchased at the games.)

The Marketing Business Services Coordinator will be responsible for overseeing that merchandise sales are deposited in a timely manner. The merchandise event cashout sheet has been revised to include the Marketing Director's signature to document the transfer of accountability from the student manager. Also, an inventory count sheet will be provided with each cashout sheet for backup of sales. This will be implemented by October 1, 2010.

At this time, a separate over/short account will not be implemented by the department. The Ticket Manager and the Marketing Business Services Coordinator will be responsible, as of September 1, 2010, for denoting any discrepancies on their respective cash collection forms, which will be reviewed by the Financial Analyst.

As of September 1, 2010, the Marketing Business Services Coordinator will be responsible for ensuring that cash collections for merchandise sales are deposited at least weekly, or when cash collection exceeds \$500. At 3pm daily, an employee of the Business Office makes a run to Central Cashiers and Accounting Services and Controls which both the Ticket Office and Marketing Department can utilize if they have not already taken deposits over themselves.

As of October 1, 2010, the department will attempt to deposit donations the day they are received, but a three day window is more realistic. We are still awaiting a final ok from the Development Office on the "Benefit Levels" of our Gaucho Fund tiers of giving. Most of the Athletics Department gifts have some form of benefit included which complicates the processing of the gift. The Financial Analyst will be implementing this management corrective action. The Gaucho Fund solicitation letter requests that all forms and payments be returned to "The Gaucho Fund, c/o Steve O'Brian in ICA" and a return envelope will further alert us to the fact this is a donation. As of October 1, 2010, the Operations Coordinator will be opening all Gaucho Fund mail that appears to be a gift. She will endorse the checks immediately and also post them to a log. We will be announcing to the department at the September 14, 2010 staff meeting, that all checks (donations or otherwise) need to be taken to the Operations Coordinator on the day they are opened, for her to endorse and log. The following individuals will be responsible for implementing the different sections of the corrective action: Ticket Manager for GSR review and reconciliation, Marketing Business Services Coordinator for merchandise sales, and the Financial Analyst for reconciliation of sales reports to the general ledger. The overall management corrective actions will be implemented by December 1, 2010.

2. Security

According to the Ticket Manager, student ticket sellers have not received background checks prior to performing their cash handling duties. BUS-49 states, "campus administrators who have management responsibility for cash handling must assure that each individual who has or will have access to cash resources (including temporary, casual and student employees) has been appropriately vetted before access is granted. Background checks, demonstrated reliability in previous settings, and evidence of cash-handling training are important factors in establishing an individual's qualifications."

In addition, the Ticket Manager indicated that cash drawers located at event sites are not locked when the ticket seller leaves their station. It was noted that a supervisor is on site to monitor cash collections. The areas in which cash drawers are located (i.e. Events Center and Harder Stadium) have locked doors to limit access to the cashiers station.

To improve internal controls, each cashier drawer could be fitted with locks to help maintain individual accountability over cash collections and to prevent the loss of sales. Intercollegiate Athletics could also flag cash handling positions as critical positions for Human Resources in order to have background checks performed.

Management Corrective Actions

Per the Ticket Manager, the Athletics Department does not “own” the ticket booths at either Harder Stadium or the Events Center and will not be fitting each cashier drawer with locks. As mentioned, the ticket booths do have locks on the doors and are monitored by a supervisor. When ticket sellers are reconciling the event and counting cash, the outside windows are closed and locked, and the door is locked at all times. The Ticket Manager is going to designate only 10-12 of the 40 or so event staff employees to be ticket sellers. She is currently awaiting Employee ID numbers for new hires in these positions before starting the vetting process for cash handlers. The management corrective action will be implemented by December 1, 2010.

3. Petty Cash and Change Funds

A surprise count of petty cash and change funds indicated that all three funds were intact and properly secured. According to BUS-49, “an unannounced cash count and verification of change and petty cash funds for which cashiers and cash handling employees are accountable shall be performed on a periodic basis, at least quarterly, by someone other than the custodian” and that “the results of the cash count are to be reported to the Central Accounting Office.” Discussion with the Financial Analyst indicated that all funds were audited by Accounting Services and Controls, but Intercollegiate Athletics does not perform and document its own counts of petty cash and change funds and communicate the results of the counts to Accounting Services and Controls.

To improve internal controls and comply with BUS-49, Intercollegiate Athletics should perform counts of petty cash and change funds at least quarterly. The results of those counts should be reported to Accounting Services and Controls.

Management Corrective Actions

Unannounced counts of petty cash and change funds will begin by January 1, 2011 and continue on a quarterly basis. The Assistant Business Manager will perform the count for the petty cash fund and the Financial Analyst will perform counts on Ticket Office and Marketing change funds. The results will be forwarded to Accounting Services and Controls by email.

4. Mail Remittances

According to BUS-49, mailed remittances should be verified and processed by two employees. Review indicated that current business practices only have one individual opening mail remittances in both the Development Office as well as the coaches' offices for summer camp registration fees. To improve controls over donations and mail-in payments, Intercollegiate Athletics could have two people present when the mail is opened, and receipts could be recorded in a log.

Management Corrective Actions

As of October 1, 2010, mailed remittances are opened in the Business Office by the Operations Coordinator and viewed by another Business Office employee, in most cases the Travel Coordinator. The mail is opened, checks are endorsed, and remittances are recorded to a daily receipt log. The Financial Analyst is responsible for the corrective action implementation. This management corrective action will be followed-up on by Audit and Advisory Services staff by January 1, 2011 to ensure it has been implemented.

B. Payroll Processing and Recordkeeping

Audit attention focused on ensuring Intercollegiate Athletics has implemented internal controls to comply with payroll business practices that are included in Business and Finance Bulletin, IA-101, Internal Control Standards: Departmental Payrolls. The Internal Control Standards indicate that "procedures shall provide for systematic reviews to assure that adequate controls for payroll operations have been established and are implemented, including adequate separation of duties within departments."

Testwork included selecting a judgmental sample of ten Post Authorization Notifications (PAN) and verifying that mandatory PAN reviewers are reviewing transactions. In addition, a sample of seven student employees timecards and three career employees Non-Exempt timecards were selected to verify the employee and their supervisor signed the timecards in a timely manner as well as verifying the amounts paid agreed to the timecard. Timecards were also compared against information that was recorded in the Payroll/Personal System (PPS). Further, the student employee's pay rate was compared to the pay rate of other individuals in a similar position to determine if the pay rate was reasonable. The following was noted:

1. Payroll and Leave Balances

Review of student and career employee's timecards indicate that all ten timecards were signed by both the employee and supervisor each month. Evaluation of ten PAN indicated that all changes made in PPS were reviewed by the mandatory PAN reviewer. However, student timecards were not dated when signed. The following was also noted:

- Student Employees

Review of seven student employee's timecards indicated that all individuals received a pay rate consistent with their positions. However, one student employee was paid less than the appropriate amount. The student was paid at a rate of \$8/hr instead of the \$10/hr rate listed on the timecard. A total of 149.50 hours was worked, resulting in \$299 less in gross pay. Discussion with the Assistant Business Manager indicated that they would correct the error.

- Career Employees

Review of three career non-exempt employee's timecards indicated that all employees' vacation and sick balances listed on the timecards agreed to the balances listed in PPS. However, in one instance, an employee's sick leave had a negative balance in two separate months on both the employee's timecard and in PPS. UC Personnel Policies for Staff Members indicates that "sick leave shall not be used prior to its accrual." Instead, the employee should have used vacation or recorded leave with no salary.

While gathering background information, it was noted that two employees exceeded the maximum amount (240 hrs) of compensatory time that one can accrue. In one instance, an employee's compensatory balance was 381.50 hours, which is 141.50 hours over the maximum. In another instance, an employee's compensatory balance was 426 hours, which is 186 hours over the maximum. UC Personnel Policies for Staff Members states, "no more than 240 hours (160 hours of actual overtime work at time and one-half) of compensatory time may be accrued."

To improve internal controls and comply with University policies and procedures, non-career employee's timecards should be compared to the Distribution of Payroll Expense Reports (DPERs) on a monthly basis to ensure that payroll figures are correct. Leave balances should be monitored on a monthly basis to ensure compliance with UC policies and procedures. Additionally, the Assistant Business Manager should continue to follow-up and correct the above payroll discrepancy.

Management Corrective Actions

We will initiate a monthly review of the DPERs to verify non-career employee time cards vs. payroll figures and have the reviewer sign and date them beginning with the October 2010 DPERs.

Leave balances are monitored monthly and brought to the attention of both the Athletic Director and the employees' supervisors, who have been reminded of UC and departmental policies regarding comp-time accruals. Current accruals hours over the maximum will be paid out. One employee received her payout in September 2010. The other employee has asked to wait until at least October 2010 while he checks into tax liability issues. In addition, the student's payroll discrepancy was paid on June 1, 2010 in order to correct the error. The management corrective action will be implemented by November 30, 2010. The Assistant Business Manager will be responsible for the corrective action implementation.

2. Payroll Ledger Review

Discussion with the Assistant Business Manager indicated that hourly employees' timecards are not compared to the DPERs to see if the correct amounts are paid. In addition, DPERs are currently not initialed or signed to document their review. Business and Finance Bulletin, IA-101, Internal Control Standards: Departmental Payrolls, states, "a staff member shall be assigned the task of reconciling payroll expenditures and must document that the monthly review has been performed by signing and dating the DPERs."

To improve internal controls and comply with UC policies and procedures, non-career employee's timecards should be compared to the DPERs on a monthly basis to ensure payroll figures are correct. The monthly review of DPERs should be documented by having the individual sign and date the DPER.

Management Corrective Actions

We will initiate a monthly review of the DPERs to verify non-career employee time cards vs. payroll figures and have the reviewer sign and date them beginning with the October 2010 DPERs. The management corrective action will be implemented by November 30, 2010. The Assistant Business Manager will be responsible for the corrective action implementation.

3. Separation of Duties

Review of departmental duties regarding payroll were evaluated. It was noted that there is a lack of separation of duties between the employees responsible for updating PPS, reviewing PAN, and reviewing DPERs. The individuals who are responsible for entering information into PPS as well as reviewing the PAN are in charge of reviewing DPERs for their relative accounts. Business and Finance Bulletin, IA-101, Internal Control Standards: Departmental Payrolls, states, "an employee authorized to approve payroll documents may not also have responsibility for reviewing DPERs or for distributing paychecks or earning statements."

To improve internal controls and comply with University policies and procedures, different employees should be responsible for updating the on-line PPS, reviewing PAN notices, and reviewing the monthly DPER. In addition, payroll checks and Surepay statements should be distributed by an employee not involved in updating PPS, or preparing or approving payroll documents.

Management Corrective Actions

With the recent staffing changes in the Business Office, we have re-directed some of the payroll-related responsibilities. The Assistant Business Manager is the primary payroll person; the Financial Analyst is the PAN reviewer and DPER reviewer (other than Game Management account); the Account Manager processes student payroll; Operations Coordinator distributes checks and surepay statements, and reviews game management DPERs. The management corrective action will be implemented by December 1, 2010. The Assistant Business Manager will be responsible for the corrective action implementation.

4. Desk Manuals

According to the Assistant Athletic Director, desk manuals have not been created for critical positions within the department, since they rely on their long term employees to help train new employees as well as cover positions in the event of absences. During the course of the audit, the Intercollegiate Athletics' Business Office has lost one individual to retirement and will lose another to retirement in July 2010. Both of these employees held critical positions within the department. Intercollegiate Athletics will have lost over 50 years of combined experience with their departures.

To improve internal controls, desk manuals could be created for the department's critical positions to help with training, covering absences, and future attrition.

Management Corrective Actions

We understand the value of desk manuals as back-up for training, veering absences, and future attrition. We do provide hands-on training with all new employees and cross-training within the different departmental areas. A realistic goal for providing updated desk manuals would be the start of next fiscal year. The management corrective action will be implemented on January 31, 2011. The Executive Associate Athletics Director will be responsible for the corrective action implementation.

C. Coaching Staff Limits and Contracts

A review of coaching staff and contracts was performed to ensure compliance with NCAA legislation regarding coaching staff limitations per sport and contract language. NCAA Bylaw 11.7.4 states, "there shall be a limit on the number of coaches who may be employed by an institution..." All 2008-09 and 2009-10 Intercollegiate Athletic teams were evaluated and compared to the NCAA coaching limitations per sport to determine compliance with Bylaw 11.7.4. In addition, a judgmental sample of five Intercollegiate Athletics coaching contracts was selected during the period July 2008 to December 2009 to determine whether the amount on each contract agreed to the payroll ledger; the contracts stipulate that violations of NCAA legislation are subject to disciplinary or corrective actions as set forth in the NCAA information provisions, including suspension or termination (Bylaw 11.2.1); and whether the contracts stipulate that coaches must annually submit a written detailed account to the Chancellor of the amount and source of all athletically related income and benefits from sources outside of the institution (Bylaw 11.2.2).

Analysis of Intercollegiate Athletics coaching staff for fiscal years 2008-09 and 2009-10 indicated that all sports are in compliance with NCAA legislation regarding coaching staff limitations. In addition, it was concluded that all five individuals were paid the correct amounts as stated in their contracts as well as having NCAA Bylaws 11.2.1 and 11.2.2 documented in the contracts. For three individuals who have incentives mentioned in their contract, only two met the requirements for payment. Incentive payments agreed to the amounts stated in their contracts.

D. Travel

Our review focused on ensuring Intercollegiate Athletics has implemented internal controls to comply with NCAA legislation and University policies and procedures regarding team and recruiting travel. A judgmental sample of 15 off-campus recruiting travel expense vouchers was selected from July 2008 to December 2009. Vouchers were reviewed to ensure that recruiting travel was within the recruiting time period established by the NCAA; vouchers were completed in compliance with BUS G-28 (BUS G-28), Policy and Regulations Governing Travel; recruiting coaches successfully completed the NCAA's annual certification recruiting rules exam; and recruiting coaches maintained documentation detailing the coach's contacts and/or evaluations of the prospect during the academic year. In addition, audit attention was focused on educational efforts undertaken by Intercollegiate Athletics to ensure that the appropriate individuals understand applicable NCAA legislation in recruiting off-campus and team travel, and that policies, procedures, and practices identified were periodically evaluated to determine if they were functioning within NCAA legislation requirements. Audit testwork also included ensuring that Intercollegiate Athletics had certified in writing and had on file a list of coaches permitted to recruit off-campus.

A judgmental sample of 15 team travel expense vouchers was selected from July 2008 to December 2009. Vouchers were reviewed to ensure team travel was in compliance with NCAA legislation; any cash advances were a reasonable estimate of out-of-pocket expenses needed for the trip; amounts requested for travel advances agreed to the amounts distributed to the student-athletes as meal money; adequate supporting documentation was provided to account for team meal expenses; advances were issued within 30 days of the event; and that vouchers were completed in compliance with BUS G-28. For those vouchers without travel advances, our review ensured that expenses were in compliance with NCAA legislation; students who received entertainment, lodging, transportation, or meals were compared to the sport's squad list to ensure that they were eligible for such provisions; and that non-permissible expenses were not provided as part of the team travel expenditures (such as personal telephone calls, travel apparel, transportation to/from the student-athlete's residence, reimbursement for travel to practice, and reimbursement for travel to competition). The following was noted:

1. Recruiting Travel

An assessment of 15 recruiting travel vouchers indicated that all recruiting travel was completed within the permissible recruiting period established by the NCAA and that all recruiting coaches successfully completed the NCAA annual certification recruiting rules exam. However, there

were issues with voucher timeliness, object code usage, reimbursements, and supporting documentation. The following was noted:

- In three instances, travel vouchers were completed more than 21 days after the event occurred.
- In one instance, the wrong object code was used in a split funding transaction (all expenses were charged to recruiting travel) since travel was part recruiting and part team travel.
- In one instance, a coach was only reimbursed \$384.60 instead of \$679.60 for expenses listed in the “other” category. Discussion with the Administrative Assistant for Women’s Basketball indicated that she was unsure why the amounts reimbursed were less than the receipt amounts.
- In two instances, travel voucher documentation could not be located within the department. Discussion with the Travel Manager indicated that she was on medical leave for nine months during 2008. During that time, a student intern helped process travel vouchers. The missing travel vouchers were completed during the time that the Travel Manager was on medical leave.

To strengthen internal controls, the department could create a checklist that includes items such as having appropriate documentation included in the voucher, signature approvals on travel expense worksheets, use of correct object codes, agreement of reimbursed amounts to receipts, and overall appropriateness of expenses as relating to official University business. The individual assigned to review the travel vouchers should be trained on NCAA legislation regarding recruiting travel. In addition, recruiting travel requests could be created and submitted to the Intercollegiate Athletics Compliance Officer to minimize the risks of any NCAA recruiting violations as well as providing documentation for post visits. The travel voucher, along with the supporting documentation, could also be stored electronically on Intercollegiate Athletics’ server/drives to reduce the risk of losing any backup documentation.

Management Corrective Actions

A Travel Voucher Checklist has been created by the Business Office and has been given to our new Travel Coordinator as of September 1, 2010. The new Travel Coordinator has been employed by the Athletics Department for 10 years during which time she was responsible for administrative and Men’s Basketball travel, and she is therefore familiar with NCAA guidelines.

She has been given the 2010-2011 NCAA Division 1 By-laws for Recruit Travel, which she will have read by September 1, 2010 and will have training with the Compliance Officer by that same date. In the past, sport Travel Vouchers have been processed by three separate people (for M. Basketball, W. Basketball and Other Sports), but they now will all be processed by Travel Coordinator and her intern. A "Prior Approval Recruit Travel" form has been created by the Business Office and is currently on the department shared drive. The coaches will be instructed on the use of the form at the September 14, 2010 Staff Meeting. The form will require approval from the Compliance Officer for all Official Visits of prospective student athletes. However, coaches are required to submit the form to the Compliance Office, but the Compliance Officer will not be required to approve off-campus recruiting trips. Our past Compliance Officer states that she did not need to see the prior approval recruit forms for coaches going out on visits as long as they had signed off on the form that they were aware of the permissible recruiting dates per NCAA guidelines. All documentation will be stored in a central location of the Business Office. We will work on trying to get travel expense vouchers stored on a shared drive by fiscal year 2011-2012. The management corrective action will be implemented by December 1, 2010. The Travel Coordinator will be responsible for the corrective action implementation.

2. Team Travel

Travel Advance

Review of 11 travel vouchers that contained travel advances indicated that all maintained adequate supporting documentation to account for team meal expenses as well as substantiating that travel was in compliance with NCAA legislation. However, multiple travel advance requests were missing from departmental files, and some cash advances did not appear to be a reasonable estimate of out of pocket expenses. The following was noted:

- In three instances, travel advance requests could not be located within the department.
- In one instance, a travel voucher could not be located within the department.
- In one instance, a travel voucher and travel expense worksheet was not signed by the traveler attesting that all expenses claimed were for official University business purposes.
- In two instances, cash advances were not reasonable for the estimated out of pocket expenses for the trips. In one case, Men's and Women's Swimming requested \$1,800 for miscellaneous expenses (massage therapist and entry fees). However, there were no receipts to support the use of the advance. In another case, Women's Basketball requested \$3,680 for meal allowances, but only \$256 was distributed to the student-

athletes as well as to one coach. The rest of the meals for that trip were purchased using the Director of Operations' credit card at different dining establishments.

- In two instances, requested meal monies per person were not distributed as stated in the travel advance request. In one case, Softball requested \$3,840 for meal money and only distributed \$3,265. In another case, Women's Basketball requested \$3,680 for meal allowances, but only \$256 was distributed to the student-athletes as well as to one coach. The rest of the meals for that trip were purchased using the Director of Operations' credit card at different dining establishments.

Non-Travel Advance

Review of four non-advance travel vouchers indicated that all students were eligible to participate, expenses were in compliance with NCAA legislation, and that non-permissible expenses were not part of the team travel expenditures. The following was noted:

- In once instance, a travel voucher was prepared for "Big West Band/Cheer Travel" but was given the object code 2025, Team Travel, instead of 2031, Cheer/Band Travel.
- In another instance, a student-athlete signed the Team Travel Sheet twice indicating receipt of a meal allowance for \$288. Discussions with the head coach of the team indicated that the student-athlete did not receive two meal allowances, but signed twice accidentally. The head coach also indicated that one of the student-athletes who made the trip did not sign the Team Travel Sheet. Audit and Advisory Services was able to confirm that the student-athlete who was not included on the Team Travel Sheet did travel to the games by checking the related box scores.

To improve internal controls, the department could create a checklist that includes items such as having appropriate documentation included in the voucher, signature approvals on travel expense worksheets, use of correct object codes, agreement of reimbursed amounts to receipts, agreement of travel advance request information for meal per diem to the team travel sheet, and overall appropriateness of expenses as related to official University business. Travel advances should only be requested for meal money, entry/registration fees, bus driver tips, and laundry for uniforms. The individual assigned to reviewing the travel vouchers should be trained on NCAA legislation relating to team travel. In addition, a standard form for bus driver tips could be created that list the amount of tip, date, and a signature line stating that the driver received the tip. The travel voucher along with the supporting documentation could also be stored

electronically on Intercollegiate Athletics' server/drives to reduce the risk of losing any backup documentation.

Management Corrective Actions

A Team Travel Checklist has been created by the Business Office and given to the Travel Coordinator to be implemented by September 1, 2010. The Travel Coordinator has been notified that advances should only be for meal money given directly to travelers, entry/registration fees, tips and laundry for uniforms. Coaches will be notified of this policy at the September 14, 2010 staff meeting. The Travel Coordinator will be receiving training on NCAA Team Travel policy from the Compliance Officer by September 1, 2010. A form for Driver Tip Reimbursement has been created by the Business Office and coaches will be notified of the new form which will be placed in the shared drive by September 1, 2010. All Team Travel documentation will be stored in a central location of the Business Office by the Travel Coordinator. We will work on trying to get travel expense vouchers stored on a shared drive by fiscal year 2011-2012. The management corrective action will be implemented by December 1, 2010. The Travel Coordinator will be responsible for the corrective action implementation.

3. Meal Money Allowances

Review of 11 team travel vouchers with travel advances indicated that the meal money allowance is not evenly distributed between sports. Meal money received by student-athletes and coaches ranged from \$25 to \$32 per person per day. For 18 of the 20 sports, meal money is distributed to student-athletes to purchase food. However, Men's and Women's Basketball distributes a small fraction of the travel advance meal money since most of their meals are purchased by the Director of Operations. The Director of Operations for Women's Basketball indicated that they purchase meals in order to have the student-athletes eat healthy. Discussion with the Travel Manager indicated that a memo dated April 22, 2009 informed coaches that the 2009-10 meal per diem is the same as the previous year. The previous years per diem was set at \$32 per person per day unless travel was less than 11 hours, in which case the per diem would be prorated. An exception was approved by the Athletics Director to allow Men's and Women's Basketball to budget \$40 per person per day during trips which includes pregame meals.

To strengthen internal controls, coaches could be trained before their season begins on the standard meal per diem rate. Requests for travel advances as well as the team travel sheet could

be reviewed to ensure that the standard per diem rate is being used. Any discrepancies should be explained by the coach and submitted with the travel voucher.

Management Corrective Actions

By November 1, 2010, coaches will be notified of their standard per diem rate. The Travel Coordinator will be reviewing the travel advances against the team travel sheet to ensure that correct per diem is being used. Coaches will be instructed that discrepancies in usage of the per diem will need to be noted on their travel voucher. The Travel Coordinator will be responsible for the corrective action implementation. Audit and Advisory Services staff will follow-up on the implementation of this management corrective action by December 1, 2010.

4. NCAA Legislation and Educational Efforts

Discussion with the Compliance Officer indicated that staff and coaches are informed of new and existing NCAA legislation through emails, in-services, and meetings on a monthly basis. Review of the current ICA Departmental Policies and Procedures Manual indicated the manual is out of date with the current departmental practices, policies, and procedures regarding travel. Also, policies, procedures, and practices are not periodically evaluated to determine if they are functioning within NCAA standards. In addition, the manual does not reference related NCAA legislation regarding recruiting and team travel as well as current UC policies and procedures concerning travel and entertainment.

To strengthen internal controls, the ICA Departmental Policies and Procedures Manual could be updated with the current departmental business practices. Related NCAA legislation and University policies and procedures regarding travel and entertainment could be referenced when updating the department manual. Additionally, the manual could be reviewed on an annual basis to ensure departmental policies, procedures, and practices are current with NCAA legislation and University policies and procedures.

Management Corrective Actions

The ICA Department Policies and Procedures Manual will be updated by January 30, 2011. The manual will contain updated information related to NCAA legislation and University policies. Moving forward, the manual will be updated annually. The Executive Associate Athletics Director will be responsible for implementation.

E. Athletic Scholarships

Athletic scholarships help finance all or part of a student-athletes college education. Intercollegiate Athletics receives athletic scholarship funding through student lock-in fees, donations, and boosters. Intercollegiate Athletics provided 382 athletic scholarships to student-athletes in 2008-09 and 394 in 2009-10. The total cost of athletic scholarships was approximately \$2.9 million for 2008-09 and \$3.2 million for 2009-10. To ensure compliance with NCAA legislation, a judgmental sample of ten athletic scholarships were selected from fiscal years 2008-09 and 2009-10. Each scholarship was reviewed to determine whether the student athletes received a written financial aid award statement the Financial Aid Director and student athlete signed the award statement, the award did not exceed one academic (3 quarters) year, and the amount offered in award statements as compared to the amount received by the student-athlete did not exceed the full grant-in-aid (Bylaw 15.1). In addition, the amounts stated in the award statements for selected athletic scholarships were compared with the amounts reported by the Financial Aid Office. The following was noted:

1. Squad Lists

NCAA Bylaw 30.13 states, “the forms shall be kept on file in the office of the athletics director, and such file shall be available for examinations upon request by an authorized representative of another member institution; the NCAA, and, if the institution is a member of a conference, an authorized representative of the conference. The athletic director shall sign the form for each sport. The head coach in each sport shall sign the form for the applicable sport.” Review of the departmental sports squad lists for 2009-10 indicated that the lists were not signed by the Athletic Director nor were they stored in the Athletic Director’s Office. It was noted that the squad lists were signed by the Executive Associate Athletics Director, Internal Affairs/SWA and were stored in the Compliance Office. To comply with NCAA legislation, squad lists should be signed and stored in the Athletic Director’s office.

Management Corrective Actions

Beginning with the 2010-11 school year and moving forward, squad lists will be signed by the Athletic Director and will be stored in the Athletic Director’s Office. The management corrective action will be implemented by December 1, 2010. The Executive Associate Athletics Director will be responsible for the corrective action implementation.

2. Financial Aid

Discussion with the Compliance Officer indicated that athletic financial aid offered after the first day of classes of a term is not prorated for the rest of the term. NCAA Bylaw 15.3.1.3 states, “institutional financial aid awarded to an enrolled student-athlete after the first day of classes in any term may not exceed the remaining room and board charges and educational expenses for that term and may not be made retroactive to the beginning of that term.” Additionally, student athletes continue to receive the amount of the award even if the individual leaves UCSB during the term. NCAA Bylaw 15.3.1.2 states, “a student athlete who withdraws from the institution may not receive financial aid during the remainder of the term.” However, it appears that Intercollegiate Athletics was not fully aware of Financial Aid’s procedures regarding overawards and withdrawals of athletic financial aid.

To ensure compliance with NCAA regulations, the Compliance Officer should review the NCAA Bylaws regarding financial aid. In addition, the Compliance Officer should consult with Financial Aid to ensure that policies and procedures with regards to overawards and withdrawals are fully understood.

Management Corrective Actions

The Athletics Department will work closely with the Financial Aid Office to make sure that student-athletes are not being overawarded based on cost of attendance and that the Athletics Department will follow Financial Aid and Department of Education policies on withdrawal of aid. Additionally, the new Compliance Director will review the NCAA Bylaws regarding financial aid.

Overawards

The Office of Financial Aid and Scholarships determines the annual cost of attendance. The cost of attendance incorporates all educationally related expenses. The annual cost of attendance is established for each specific academic term (fall, winter and spring). The Office of Financial Aid and Scholarships awards students based on the per term cost of attendance. To verify that students do not receive aid beyond their cost of attendance, an automated Overaward Program is executed twice per week. The Overaward Program identifies any students who are awarded funds beyond the actual cost of attendance. Overawards are identified and resolved immediately.

The Athletic Scholarship Coordinator in the Office of Financial Aid and Scholarships is notified by the Athletic Department of all student-athlete awards to be activated. When the student-athlete awards are processed, the Coordinator verifies that awards do not exceed the per term cost of attendance. The automated Overaward program serves as a secondary check and ensures students do not receive excess awards.

Withdrawal

The Office of Financial Aid and Scholarships adheres to The Department of Education Return to Title IV withdrawal policy. If a recipient of student aid withdraws during a payment period or a period of enrollment, the Office of Financial Aid and Scholarships calculates the amount of aid the student earned. The calculation is performed using the Department of Education software. The calculation includes the official date of withdrawal as determined by the Office of the Registrar.

The withdrawal process is completed by a financial aid advisor on a weekly basis. All student-athlete awards are incorporated into the withdrawal process and calculations. Students are not allowed to keep awards in excess of what is calculated by the Return to Title IV Program.

The Executive Associate Athletics Director will be responsible for the corrective action implementation. The management corrective actions will be implemented by January 1, 2011.

3. Financial Aid Analysis

An analysis between the financial aid award statements and the financial aid information received from Financial Aid indicated that all ten student-athletes received the correct amount of financial aid. In addition, all student athletes received a written financial award statement, the award did not exceed one academic year, terms and conditions were in line with NCAA legislation, and the amount offered did not exceed the full grant-in-aid.

F. Summer Camps and Clinics

A review of NCAA compliance by summer camps was performed. Intercollegiate Athletics operates Softball and Women's Basketball camps to help advance prospective student athletes' abilities at the collegiate level. In summer 2010, Intercollegiate Athletics will begin to operate a Men's Basketball camp geared toward students between the grades of 2 to 8. There are additional summer camps operated by the UCSB Department of Recreation or private companies (e.g. Nike), or privately

owned by Intercollegiate Athletic coaches. A judgmental sample of two Intercollegiate Athletics camps was selected to determine if adequate documentation was retained for camp participants and employees. The review also included identifying all activities undertaken by Intercollegiate Athletics to monitor whether compliance with NCAA legislation was occurring. In addition, a judgmental sample of two privately owned camp websites linked from the UCSB Intercollegiate Athletics website was selected to verify that institutional logo and information was properly approved by UCSB Administrative Services. The following was noted:

1. Designation of Institutional versus Private Camps and Clinics

According to NCAA Bylaw 13.12.11, “an institution’s sports camp or instructional clinic shall be any camp or clinic that is owned or operated by a member institution or an employee of the member institution’s athletic department, either on or off its campus, and in which prospective student-athletes participate.” Discussions with the Executive Associate Athletics Director, Internal Affairs/SWA and the Assistant Chancellor, Budget and Planning indicated that there are inconsistencies on whether or not a camp that is owned and operated by an Intercollegiate Athletics coach is considered an institutional camp. Based on Bylaw 13.12.11, Intercollegiate Athletics considers private camps as institutional camps, since they meet the requirements of the NCAA legislation. However, the Assistant Chancellor, Budget and Planning indicated that these camps are financially autonomous from the University and should not be considered institutional camps.

The Executive Associate Athletics Director, Internal Affairs/SWA indicated that, “prospects are not targeted for camps. Intercollegiate Athletics’ camps and clinics are open to any and all entrants (limited only by number, age and/or gender) on a first-come, first serve basis.” Review of two camp websites that are owned and operated by Intercollegiate Athletics coaches employed by UCSB indicated that the camps are geared towards prospective student athletes who want to advance their abilities to the collegiate level. NCAA Bylaw 13.02.11 states, “a prospective student athlete is a student who has started classes for the ninth grade.” Despite whether camps are privately owned or institutional, camps are bound by NCAA legislation and any violations would affect the institution. The following are compliance issues depending on whether camps are designated as private or institutional:

- a. If camps are designated as institutional camps, NCAA compliance as well as University policies and procedures should be adhered to. As of now, only Softball and Women’s

Basketball are owned and operated by the Intercollegiate Athletic department. The remaining camps (privately owned and operated by coaches employed by UCSB) would need to be administered by and operated financially through Intercollegiate Athletics.

- b. If camps are designated as private camps, they should still be in compliance with NCAA legislation. However, the use of the institutional logo and information must be approved by UCSB Administrative Services. According to the Campus Policy Coordinator, two camps websites (Baseball and Men's Soccer) that are owned and operated by coaches employed by UCSB Intercollegiate Athletics were in violation of the official use of the institution's logo and information. UC Policy 41.20, Use of University Name, Insignia, Seal, or Address, states, "the name, insignia, seal, or address (including electronic address) of the University or any of its offices or units shall not be used for or in connection with religious, political, business or other purposes or activities except as consistent with university policy, campus implementing regulations, and applicable law (including, but not limited to 'Use of University's Name,' State of California Education Code, Section 92000)." Areas that were identified as a potential improper use of the institutional logo, information, and resources included:

- Free private camp advertisement link on Intercollegiate Athletics' webpage.
- Similar webpage design to Intercollegiate Athletics website.
- Use of University name and/or logo.
- University contact information (email, phone number, fax, and address).
- No disclaimer that camps and soccer tournaments are not affiliated with the University.
- Links back to UCSB Intercollegiate Athletics' webpage.
- Registration fees to be sent to Intercollegiate Athletics.
- Medical and health insurance information to be sent to Intercollegiate Athletics.
- UCSB merchandise to be sold at events.

To ensure compliance with NCAA regulations, Intercollegiate Athletics, in consultation with University officials and General Counsel, should develop policies and procedures for determining whether a camp or clinic should be treated as institutional or privately owned. Based on that determination, the appropriate changes should be made with regards to current camps and clinics to ensure compliance.

Management Corrective Actions

The Executive Associate Athletics Director will have the NCAA handbook prepared by December 1, 2010. The Athletic Director, in consultation with the appropriate University personnel and General Counsel, will be responsible for deciding whether ICA camps will be institutional or private. The management corrective action will be implemented by March 1, 2011.

2. University Purchasing Agreements and Resources

Discussion with the Financial Analyst indicated that Men's Soccer coaches use UCSB purchasing agreements to get discounts on apparel for their private camps. Coaches track what they need to reimburse back to Intercollegiate Athletics by noting on the Request for Delivery that it is a camp expenditure. Camp apparel is received by Intercollegiate Athletics and is given to the coaches by the Team Services Coordinator. BUS-43, Material Management, states, "University credit, purchasing power, and facilities shall not be used to purchase goods or services for individuals or for non-University activities."

To improve internal controls and comply with University policies and procedures, items purchased for private camps should not be purchased using University purchasing agreements nor should camp merchandise be delivered to University facilities unless the camp is considered an institutional program. If camps are not considered an institutional program, an approval from the Chancellor for an exception is necessary to continue the current purchasing process.

Management Corrective Actions

The new camp and clinic handbook will set clear policy on not using University purchasing agreements for any private camp business. The policy will also be introduced at a department meeting in November 2010. The Executive Associate Athletics Director will be responsible for implementation. The management corrective action will be implemented by January 1, 2011.

3. Summer Camp Revenue

Revenue generated from summer camps hosted by Intercollegiate Athletics is deposited into expense accounts in order to offset the expenses according to the Assistant Athletics Director. Discussion with Accounting Services and Controls indicated that any monies received as revenue must be deposited into a revenue account and not an expense account. According to Accounting

Services and Controls, revenue collected should be appropriated out to the expenditure sub accounts throughout the fiscal year using the Transfer of Funds System. At fiscal year end, the net income and expenditures is reappropriated to sub 8. The Transfer of Funds System can be used to transfer appropriations from sub 8 to the appropriate operational subs.

To improve internal controls, Intercollegiate Athletics should establish accounts and funds to deposit monies received from Softball and Men's and Women's Basketball camps. In addition, Intercollegiate Athletics staff could contact Accounting Services and Controls to obtain additional training on preparing fund transfers.

Management Corrective Actions

In May of 2010, an income account for ICA Camps was set up by the Financial Analyst. 8-266125-66125-0 is currently being used for camp income for three sports, Men's Basketball, Women's Basketball and Softball. Camp income is deposited into this account and then transferred into the specific sport account/fund 66125 via Transfer of Funds System (ex. MBB 8-680253-66125-3). All expenses are paid out of sport fund 66125-3 to offset the income. This will be the procedure through summer of 2010. The Budget Office has recommended creating separate camp accounts that do not mingle with the actual sport operating budget, even though the fund used is specific to camps. The Financial Analyst has contacted both the General Accounting Supervisor in Accounting Services and Controls and the Assistant Director in Budget and Planning regarding additional training on fund transfers. The online review of the Transfer of Funds System has been printed out and will be read by the Financial Analyst by October 1, 2010. The overall management corrective action will be implemented by June 30, 2011. The Financial Analyst will be responsible for the corrective action implementation.

4. Institutional Camp Participants and Employee Documentation

Review indicated that Softball and Women's Basketball maintained adequate documentation for both camp participants and employees. Discussions with the Director of Operations for Women's Basketball indicated that any athlete that was in high school would be considered as a prospect. It was noted that ten Women's Basketball camp employees had "by agreements" and were processed through the University payroll system, except for one individual. Discussion with the Assistant Business Manager indicated that the individual was not paid \$150 for her employment since the paperwork was not processed, but was on file. The Assistant Business Manager indicated that they would correct the error.

To strengthen internal controls, coaches could submit their employee records to the Assistant Business Manager to ensure that the amounts recorded on the coach's spreadsheet agree to the amounts paid. In addition, the Assistant Business Manager and coaches could coordinate after the completion of a camp to determine that employees working at the camp were paid the correct amount. The Assistant Business Manager should continue to correct the recently discovered payroll discrepancy.

Management Corrective Actions

The Assistant Business Manager is meeting with coaches after the completion of the camps to verify camp employees are paid correctly starting with this summer's camps. The payroll discrepancy from last year has been corrected. The management corrective action will be implemented by December 1, 2010.

G. Financial Reporting

According to NCAA Bylaw 3.2.4.16, "an institution shall submit financial data detailing operating revenues, expenses and capital related to its intercollegiate athletics program to the NCAA on an annual basis in accordance with the financial reporting policies and procedures." UCSB has selected PricewaterhouseCoopers to verify the accuracy and completeness of the financial data prior to submission to the Chancellor and the NCAA. The "Report of Independent Accountants on Applying NCAA Agree-Upon Procedures" for the period ending June 30, 2009 was selected for review. Audit attention focused on reviewing the Statement of Revenues and Expenses to determine how the numbers were compiled and reported on by Intercollegiate Athletics staff. In addition, testwork included indentifying and documenting areas where Intercollegiate Athletics could streamline and improve their processes for accumulating and reporting on revenues and expenses for the NCAA agreed-upon procedures. The following was noted:

1. Financial Reporting

Discussions with the Business Office staff indicated that for 2008-09, the data was collected by Intercollegiate Athletics staff from several different sources such as internally developed Excel spreadsheets, Filemaker Pro databases, and Data Warehouse reports. For 2009-10, Intercollegiate Athletics plans to utilize the Data Warehouse for the majority of the reporting. The following was noted:

Transfer of Expense versus Transfer of Funds

Audit and Advisory Services noted that for fiscal close, Intercollegiate Athletics used financial journals to transfer revenues/expenditures rather than appropriations via the Transfer of Funds System. This caused numbers on the report to differ from the general ledger. For example, Women's Basketball Ticket Sales were listed as \$80,840 in the financial report, but the Women's Basketball Ticket Income account-fund listed \$95,000 in ticket sales income. This difference was mainly due to a transfer of expense for \$18,032.26 to close out the account-fund at the end of the fiscal year.

To improve internal controls and minimize discrepancies between the report and the general ledger, transfer of funds should be used for fiscal closing rather than transfers of expense. Also, when the financial report differs from the general ledger, footnotes could be added to explain the difference in greater detail.

Object Coding

Review indicated that appropriate object codes were not always being used. For example, only \$61,000 in expenses was related to object code 7318 (Guarantees) for 2008-09 in the general ledger, but \$64,000 was included in the financial report based on coding from Athletics' internal financial system reports. Also, object code 2031 (Band/Cheer Travel) was not used in fiscal 2008-09, but Intercollegiate Athletics staff indicated that band/cheer travel did occur and is relevant to the financial report.

Since Intercollegiate Athletics is planning to utilize the Data Warehouse more for the fiscal 2009-10 financial report, using the appropriate object codes is critical to having accurate financial reporting. In addition, Intercollegiate Athletics may want to work with Accounting Services and Controls to develop additional object codes for larger value categories, such as team uniforms, to make the query from Data Warehouse easier.

Data Collection Process

It was noted during the review that the process for collecting the data for the Statement of Revenues and Expenses for 2009-10 was decentralized. Multiple individuals were responsible for gathering the financial information, and some individuals may have been unaware of how

others were pulling the data. This system increases the likelihood of double counting or exclusion of certain revenues or expenditures.

To improve internal controls and help ensure accuracy and consistency in financial reporting, one individual could be responsible for pulling the data for the report. Also, detailed instructions for how to pull the data for each category could be developed and updated as necessary.

Management Corrective Actions

Transfer of Expense versus Transfer of Funds

For fiscal close 2009-2010, the Business Office was under direct supervision by the Assistant Director in the Budget Office and the General Accounting Manager in Accounting Services and Controls. Transfer of Expense transactions were done by their authorization, by object code, only within a specific sport or administrative account. The Budget Office assisted in Transfer of Funds where appropriate. We work closely with the Assistant Director in the Budget Office on transfers and her only recommendation is that we do expense transfers throughout the year when indicated, rather than waiting until year end. Additionally, footnotes will be added to the financial report to explain the differences from the general ledger.

Object Coding

With the restructuring of the Business Office into a more cohesive unit, we will work to utilize appropriate object codes for the start of fiscal year 2010-2011. Assistant Business Manager and the Financial Analyst will have signature authorization and will be reviewing all Form 5's and travel expense vouchers for proper coding. We will consider developing additional object codes for larger value categories to assist in data queries.

Data Collection Process

In past years, the ICA Department has had 4-5 persons pulling information from various data programs for use in fiscal reporting. For 2009-2010, only two people, Assistant Business Manager and the Financial Analyst, will be pulling information (Assistant Business Manager for most administrative and support programs and the Financial Analyst for all sports and grain in aid). We will be pulling information from Data Warehouse, instead of FileMaker Pro, which will significantly increase the likeliness of balancing to the general ledger. We will take extensive notes during data collecting and preparation for the NCAA Audit which will occur November 8th-15th of 2010, and document it for future audits.

The management corrective action will be implemented by June 30, 2011. The Assistant Business Manager and Financial Analyst will be responsible for the implementation.

H. NCAA Certification Process

Intercollegiate Athletics must complete the NCAA Certification Process every ten years to validate the fundamental integrity of the member institutions' athletics program. The NCAA Certification Process consisted of two steps. Initially, the University must evaluate its athletic program using a self-study instrument which focuses on three areas: governance and commitment to rules compliance; academic integrity; and gender diversity and student athlete well-being. The second step is an external review by a peer review team. The athletics program must be in substantial conformity with the operating principles identified in the self-study instrument to be certified. In addition, the institutions' athletic rules-compliance program must be evaluated every four years by an authority outside of the athletics department. Findings from the rules-compliance program review would be included into the self-study.

Intercollegiate Athletics completed the NCAA Certification Process in 2007-08 and was unconditionally certified by the NCAA as a Division I intercollegiate athletics program. The athletic rules-compliance program was last evaluated in November 2007. It was noted through the review that the intercollegiate athletics program is more broad and effective than it was in 2003, but there were still a few areas that have not been addressed. Audit and Advisory Services performed a review to ensure that Intercollegiate Athletics' responses and plans to the recommendations in the NCAA Self-Study 2007-08 were implemented. The following was noted:

1. NCAA Certification Process

Discussions with the Compliance Officer revealed that some of the corrective action plans stated in the 2007-08 NCAA Self-Study had not been implemented in the areas of Recruiting, Camps and Clinics, Investigations and Self-Reporting Violations, Extra Benefits, and Governance and Institutional Control including the following:

Recruiting

Part of Intercollegiate Athletics' corrective action plan stated, "Monthly reminders to coaching staff to update recruiting logs will be sent beginning spring quarter 2008. In addition, the Compliance Assistant Athletic Director will initiate a 'spot check' program to insure that

maintenance of recruiting logs is occurring on a timely basis.” The Compliance Officer indicated that reminders to coaches are sent quarterly rather than monthly and that the spot check is inconsistent.

Another part of Intercollegiate Athletics’ corrective action plan stated, “Post-visit records will be submitted to the Compliance Office.” The Compliance Officer indicated that she does not get to review any of the backup for recruiting trips.

Camps and Clinics

Intercollegiate Athletics’ corrective action plan stated, “A Camps and Clinics Policy Handbook will be developed and in place for the 2008-09 academic year.” The Compliance Officer indicated that the handbook was still in process and should be completed in the next couple of months.

Investigations and Self-Reporting Violations

Part of Intercollegiate Athletics’ corrective plan stated, “Under the direction of the Faculty Athletics Representative, a Compliance Committee will be created and in operation for the beginning of the 2008-09 academic year. Membership will be representative of departments outside of Intercollegiate Athletics and will include faculty. Part of the charge of this committee will be to develop a formal policy for investigating major infractions.” The Compliance Officer indicated that the committee has not been formed. She explained that this project had been put on the backburner since there has only been a need for an investigation into a major infraction once in the last four years.

Extra Benefits

Part of Intercollegiate Athletics’ corrective action plan stated, “Travel itineraries will be forwarded to the Compliance Officer for review, effective spring quarter 2008.” The Compliance Officer indicated that currently this does not occur.

Another part of Intercollegiate Athletics’ corrective action plan stated, “Awards presented at banquets will be approved by the Compliance Office, effective spring quarter 2008.” The Compliance Officer indicated that currently this does not occur.

Governance and Institutional Control

Part of Intercollegiate Athletics' corrective action plan stated, "The recently updated ICA Department Policies and Procedures Manual includes a section on compliance that identifies roles and responsibilities associated with compliance," and that "the compliance manual has been integrated into the ICA Administrative Policies and Procedures Manual, which details the department policies and procedures." When Audit and Advisory Services received the Intercollegiate Athletics Department Policies and Procedures Manual, the compliance section was blank. In addition, procedures in the manual are out of date and inconsistent with current department procedures.

To improve internal controls, Intercollegiate Athletics could review the 2007-08 NCAA Self-Study to determine the corrective actions that still need to be implemented. In addition, Intercollegiate Athletics could improve on the areas that contain deficiencies that were noted in the athletic rules-compliance program.

Management Corrective Actions

Recruiting

Beginning September 1, 2010, monthly email reminders will be sent to the coaching staff to update recruiting logs. Beginning October 1, 2010, the Compliance Director or Compliance Coordinator will initiate a spot check to insure maintenance of recruiting logs is occurring on a timely basis. Post-visit records will be addressed by the Compliance Director and implemented by March 1, 2011.

Camps and Clinics

A NCAA and University compliance handbook as it relates to camps and clinics is being developed for use beginning with 2010-11 school year camps. The handbook will be completed by December 1, 2010 to ensure that summer 2011 camps follow the handbook.

Investigations and Self-Reporting Violations

Discussions between the Faculty Athletic Representative (FAR) and the Executive Associate Athletics Director have questioned the need for a Compliance Committee as stated in the certification corrective plan. Research from other conference schools shows that most schools do not have Compliance Committees. The FAR and Executive Association Athletics Director believe that a charge of this committee would not be to develop formal policy for investigating major NCAA violations. The Athletics Department would work with the Big West Conference

Office in hiring an outside firm to handle a major violation. The charge of the Compliance Committee would be simply to hear a report on self-reports and waivers submitted to the Big West. Discussion continues to determine if the Compliance Committee could be a sub-committee of the Intercollegiate Athletics Policy Board (IAPB). That board is an advisory group to the Chancellor so a change to the board would need to be approved by the Chancellor. The FAR and Executive Associate Athletics Director will continue to consider the committee and approach the Chancellor when appropriate.

Extra Benefits

Beginning September 1, 2010, all travel itineraries will be forwarded to the Compliance Director, Executive Associate Athletics Director and Assistant to the Athletics Director.

Beginning November 2, 2010, a form will be available on the server for coaches to indicate what awards are planned for post-season banquets. The form will indicate type of award and value of award for each student-athlete. The form will be presented to the Compliance Director prior to purchase of awards for approval.

Governance and Institutional Control

The UCSB Compliance Manual will be updated annually by the Compliance Director and will be attached to the ICA Administrative Policies and Procedures Manual. The ICA Administrative Policies and Procedures Manual are currently being updated due to a change of Athletic Director and many changes in department policy. An updated manual will be completed by January 30, 2011.

The overall management corrective actions will be implemented by March 1, 2011. The Compliance Director will be responsible for the corrective action implementation.