



Item: AF: I-1

AUDIT AND FINANCE COMMITTEE
Monday, June 15, 2015

**SUBJECT: REVIEW OF AUDITS: FAU 14/15-4, AUDIT OF NCAA COMPLIANCE -
SPORTS CAMPS & CLINICS FOR SUMMER 2014**

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary objectives of this audit were to determine whether:

- Institutional sports camps or clinics owned or operated by the university's Athletics Department, or an employee of the department, were conducted in compliance with applicable state statutes, NCAA regulations, university policies and procedures, and sound business practices; and,
- Management had adequate and effective controls in place to ensure that Athletics Department members participating in non-institutional privately-owned sports camps/clinics did so in accordance with applicable NCAA restrictions, and university policies and procedures.

Three recommendations were made to address a variety of documentation and procedural deficiencies and basic ways in which the Athletics Compliance Office can improve the fiscal administration of camps and clinics.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the majority of our recommendations by December 2015 and the remainder by July 2016.

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: Audit Report FAU 14/15-4

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 14/15-4
Report Issue Date: May 29, 2015

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: NCAA Compliance – Sports Camps & Clinics
For Summer 2014

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

BOCA RATON • DANIA BEACH • DAVIE • FORT LAUDERDALE • JUPITER • PORT ST. LUCIE

**REPORT ON THE AUDIT OF
NCAA COMPLIANCE – SPORTS CAMPS & CLINICS**

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MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett
Inspector General

A handwritten signature in black ink, appearing to read 'Morley Barnett', is written over the printed name of the Inspector General.

DATE: May 29, 2015

SUBJ: AUDIT OF NCAA COMPLIANCE – SPORTS CAMPS & CLINICS

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of the university's sports camps and clinics - as defined by the NCAA (National Collegiate Athletic Association) - for summer 2014. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made three recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of the recommendations by management.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

Executive Summary

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of the university's sports camps and clinics - as defined by the NCAA (National Collegiate Athletic Association) - for summer 2014.

The primary objectives of this audit were to determine whether:

- Institutional sports camps or clinics owned or operated by the university's Athletics Department, or an employee of the department, were conducted in compliance with applicable state statutes, NCAA regulations, university policies and procedures, and sound business practices; and,
- Management had adequate and effective controls in place to ensure that Athletics Department staff members participating in non-institutional privately-owned sports camps/clinics did so in accordance with applicable NCAA restrictions, and university policies and procedures.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing of applicable records for a sample of institutional/non-institutional privately-owned sports camps/clinics in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the Athletics Department did not always maintain sufficient evidence to demonstrate adherence to applicable NCAA bylaws pertaining to institutional sports camps/clinics. In addition, its existing controls over NCAA-defined sports camps/clinics did not consistently assure compliance with all applicable state statutes, university regulations, policies, and procedures, and sound business practices. We identified opportunities for improvement in the areas of:

- Policies and procedures;
- Oversight of sports camps/clinics; and,
- Accountability for athletic facility rental fees.

Details of these findings, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.



May 29, 2015

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of the university's sports camps and clinics - as defined by the NCAA (National Collegiate Athletic Association) - for summer 2014.

The primary objectives of this audit were to determine whether:

- Institutional sports camps or clinics owned or operated by the university's Athletics Department, or an employee of the department, were conducted in compliance with applicable state statutes, NCAA regulations, university policies and procedures, and sound business practices; and,
- Management had adequate and effective controls in place to ensure that Athletics Department staff members participating in non-institutional privately-owned sports camps/clinics did so in accordance with applicable NCAA restrictions, and university policies and procedures.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing of applicable records for a sample of institutional/non-institutional privately-owned sports camps/clinics in order to determine whether control procedures were operating effectively.

We obtained an understanding of the audited operations by reviewing written policies and procedures, interviewing key departmental personnel, and evaluating key internal controls. Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on a review of pertinent supporting documentation for a judgmentally selected sample of institutional/non-institutional privately-owned sports camps/clinics. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

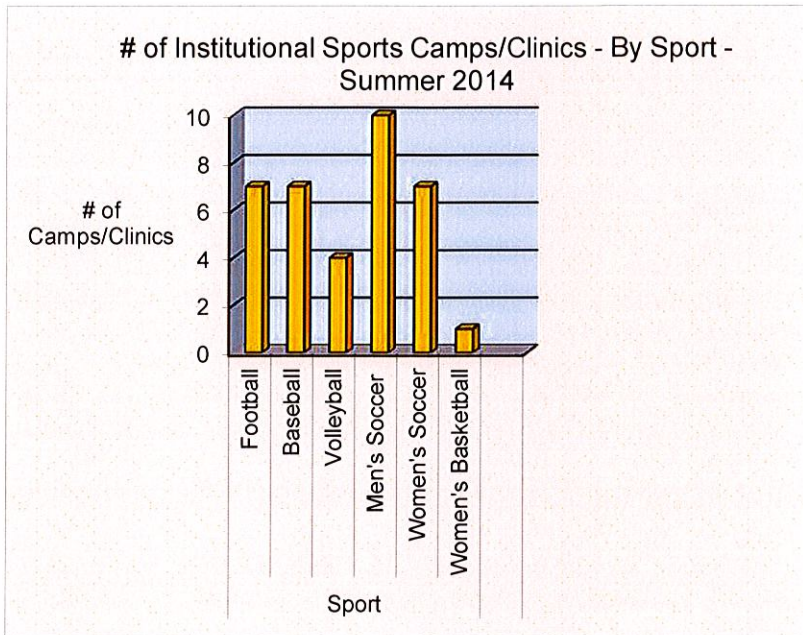
BACKGROUND

The NCAA Division I Manual defines an institution's sports camp or instructional clinic as any camp or clinic that is owned or operated by a member institution or an employee of the member institution's athletics department, either on or off its campus, in which prospective student-athletes participate (Bylaw 13.12.1.1). While the FAU Athletics Department (AD) does not itself conduct institutional sports camps or clinics, members of the department (head coaches) will conduct sports camps/clinics at on-campus facilities during the academic year via for-profit limited liability companies (LLCs) they own or control. Under the terms of their *FAU Head Coaching Agreement* with the university, head coaches are allowed to conduct their own sports camps/clinics subject to contractually-specified conditions, including, but not limited to, the requirement that criminal history checks be conducted for all camp/clinic employees and volunteers.

The AD Compliance Office - currently staffed by three full-time employees - is primarily responsible for providing oversight of the sports camps/clinics owned/operated by head coaches to ensure they are approved and conducted in compliance with applicable state statutes, NCAA bylaws, university policies and procedures, and sound business practices. The AD Compliance Office further ensures that AD staff members are only allowed to be involved in non-institutional privately-owned sports camps/clinics that comply with applicable NCAA bylaws. The AD Facilities Management Office - currently staffed by four full-time employees - is responsible for administering the university's business relationship with the aforementioned owners/operators (head coaches) of institutional sports camps/clinics, in terms of executing facilities use agreements; ensuring receipt of contractually-required liability insurance coverage; and, invoicing and collecting facility rental fees.

It should be noted that during the 2013/14 fiscal year, there was a change in the leadership of the AD Compliance Office. According to management, during the ongoing transition process, newly-hired personnel - although constrained by the limited availability of relevant information - have been working diligently to address compliance matters for which the office is responsible.

During summer 2014, AD head coaches conducted a combined total of 36 discrete sports camps/clinics, each varying in length from one to five days, and an assistant coach participated in two non-institutional privately-owned sports camps/clinics. Our review of the pertinent financial records, as provided by management, indicated that for the 2013/14 fiscal year and 2014/15 fiscal year-to-date (7/1/14 - 3/31/15), the Athletics Department collected facility rental fees - from owners/operators (head coaches) of institutional sports camps/clinics - totaling \$7,400 and \$4,220 respectively.



COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Out-Dated Policies & Procedures

The Athletics Department (AD) Compliance Office is responsible for establishing and maintaining uniform policies and procedures designed to facilitate compliance with NCAA bylaws and other applicable guidelines by departmental personnel. These policies and procedures are intended to complement and clarify the guidance in the NCAA Division I Manual, athletic conference rules, and applicable university/departmental policies and procedures.

Our review of the latest available *Florida Atlantic University Compliance Manual* (undated) - issued by the AD Compliance Office - indicated that those sections (*Camps and Clinics* and *Employment of Prospective Student Athletes and Student Athletes in Institutional Camps and Clinics*) of the manual pertaining to NCAA-defined sports camps and clinics were not as complete and up-to-date as possible. We identified instances of references to outdated NCAA bylaws, as well as opportunities to improve the completeness of the guidance by incorporating references to relevant university regulations and/or policies such as those pertaining to the use of university property/facilities, and employee reporting of outside activities.

Effective October 2014, the AD Compliance Office issued new desktop policies and procedures specifically pertaining to NCAA-defined sports camps and clinics. Although this document is useful as a practical guide, the need remains for a comprehensive revision of the NCAA-defined sports camps and clinics sections of the Compliance Manual to assure availability of an up-to-date information and training resource for AD employees.

Recommendation No. 1

We recommend the AD Compliance Manual be reviewed and revised to reflect current and relevant guidance relating to NCAA-defined sports camps and clinics. To maintain currency, the manual should be reviewed and updated on a regular basis.

Management's Response

Action Plan:

The Compliance Manual will be updated throughout summer 2015 and will go into effect fall 2015 (August). It will contain a sports camps and clinics section that reflects and provides guidance of the NCAA Bylaws, C-USA and FAU policies/procedures.

Implementation Date:

Fall 2015 (August).

Responsible Auditee:

Brian Battle, Associate Athletics Director – Business & Compliance.

Documentation & Procedural Deficiencies

Compliance testing of the records for a judgmentally selected sample of *13* institutional sports camps/clinics independently owned or operated by Athletics Department (AD) staff members (via their for-profit limited liability companies), and *two* (off-campus) non-institutional privately-owned sports camps/clinics involving an AD staff member held during summer 2014, resulted in several documentation and procedural deficiencies. We identified the following reportable exceptions:

- The requests for approval of *six* of *13* institutional camps/clinics were not signed-off by the AD Compliance Office and/or AD staff member (head coach);
- For all *13* institutional camps/clinics, the *FAU Report of Outside Employment or Professional Activity for FAU Employees*, and, where applicable, *University Equipment, Facilities and Services* and/or *FAU Report of Specified Interest* forms, were not completed by the staff members owning/operating the camps/clinics and the other AD staff members hired by or volunteering for the camps/clinics;
- For all *13* institutional camps/clinics, the owner/operator (head coach) of the camps/clinics did not obtain the criminal background checks for the volunteers/employees working at the camps/clinics in accordance with Florida statutes and as specified in the *FAU Head Coaching Agreement*;

- For all 13 institutional camps/clinics, we were unable to confirm – as best practice – that FAU personnel involved in the operations of the camps/clinics were trained regarding, or otherwise made aware of, FAU Office of the President - University Policy #7.6, *Reporting Child Abuse*;
- For all 12 institutional camps/clinics conducted during the university’s business hours, the staff member (head coach) owning/operating the camps/clinics and other AD staff members (where applicable) hired by or volunteering for the camps/clinics did not take appropriate leave while participating in camp/clinic activities. In addition, there is a conflict to the extent the *FAU Head Coaching Agreement* states that the coach will not accrue annual/vacation leave time, while the Banner HR system indicates that head coaches are eligible for, and are accruing annual leave;
- Other than the schedules, staffing, and location for two of 13 institutional camps/clinics, management could not locate any additional documentation. As such, we were unable to determine if the camps/clinics were conducted in compliance with applicable state statutes, NCAA regulations, university policies and procedures, and sound business practices;
- Although the appropriate liability insurance policy, *Facilities Use Application*, and *Reservation and Facilities Use Agreement* were on file, the requests for approval of three of 13 institutional camps/clinics could not be located by management. As such, we were unable to determine if the camps/clinics were conducted in compliance with applicable state statutes, university policies and procedures, and NCAA regulations;
- The staff member (assistant head coach) involved in one non-institutional privately-owned camp/clinic conducted during the university’s business hours, did not take annual leave while participating in camp/clinic activities; and,
- The *FAU Report of Outside Employment or Professional Activity for FAU Employees* form was not completed by the staff member (assistant head coach) involved in both non-institutional privately-owned camps/clinics.

Recommendation No. 2

We recommend management ensure:

- a. The *Institutional Camp/Clinic Approval Forms* are properly completed, retained, and signed-off by the AD staff member (coach) and the AD Compliance Office;
- b. The *FAU Report of Outside Employment or Professional Activity for FAU Employees*, and, where applicable, *University Equipment, Facilities and Services* and/or *FAU Report of Specified Interest* forms, are completed at the beginning of each contractual year of employment by all AD full-time (FAU) employees engaged in outside activities or holding a financial interest that must be reported;

- c. The owners/operators (head coaches) of the institutional camps/clinics obtain the necessary background checks for all individuals - including themselves - working at the camps/clinics, and provide evidence of the checks no later than 72 hours prior to the start of the camps/clinics, as specified in the *FAU Head Coaching Agreement*;
- d. As best practice, all FAU personnel involved in the activities of sports camps/clinics are – at a minimum – made aware of FAU Office of the President - University Policy #7.6, *Reporting Child Abuse*. To document this process, affected individuals could be asked to sign an appropriate acknowledgment form; and,
- e. An appropriate departmental leave policy is developed and implemented for AD employees participating in sports camps/clinics during business hours that is consistent with the university's Human Resources policies and procedures. In addition, action should be taken to address the discrepancy between annual leave accruals for head coaches as specified in the *FAU Head Coaching Agreement* versus the Banner HR system.

Management's Response

Action Plan:

- a. The *Camp/Clinic Approval* form contains signature lines for the Coach and the Compliance Office. Camps will not be approved without Coach and Compliance signatures. Once the approval has been completed, an electronic copy will be saved on the Compliance share drive for five years. In addition, Compliance will create a bylaw checklist for institutional camps including a copy of the *Facilities Use Agreement* to ensure a check and balance system.
- b. The *FAU Report of Outside Employment or Professional Activity for FAU Employees*, and, where applicable, *University Equipment, Facilities and Services and/or FAU Report of Specified Interest forms*, will be provided to the coaches along with the Camp/Clinic Request form, which must be completed and submitted to our Assistant AD for Administration, who will then deliver the document(s) to Human Resources. A camp is not approved without the report(s) for each FAU employee working the camp.
- c. The camp/clinic approval procedure requires the coach to provide a list of all employees/volunteers that will be working the camp. These camps are outside businesses that are owned by FAU coaches, so we will require that all coaches complete background checks of all employees/volunteers. Moving forward, FAU has created the Office of Public Service, and athletics and our coaches will adhere to future policies and procedures they establish to conduct and process background checks for all camp/clinic workers. A camp is not approved without the required documentation.
- d. For summer 2015 (July), we will require our coaches to review the policy with the compliance staff and sign that they received the information. We have encouraged them to review this information with the employees on their staff. Our intentions are to work with the Office of Public Service to have a policy and procedure in place for summer 2016.

- e. University and Athletic Administrations will review this recommendation regarding the university policy and coach's contract. Once a determination has been made, we will put together an action plan that is in line with the decision that is made, and consistent with the audit recommendation.

Implementation Date(s):

- a. The recommended checklist will be implemented for fall 2015 (August).
- b. Fall 2015 (August).
- c. Fall 2015 (August) to require the criminal background checks. Our intentions are to work with the Office of Public Service to have a policy and procedure in place for summer 2016.
- d. For summer 2015 (July), we will require our coaches to review the policy with the compliance staff and sign that they received the information. We have encouraged them to review this information with the employees on their staff. Our intentions are to work with the Office of Public Service to have a policy and procedure in place for summer 2016.
- e. Summer 2016 (July).

Responsible Auditee:

Brian Battle, Associate Athletics Director – Business & Compliance.

Inadequate Accountability for Athletic Facility Rental Fees

Effective controls over money collections mandate proper documentation from receipt through deposit with the central cashier's office, and timely transfer to the bank. Essential attributes of an effective system of money controls include proper segregation of conflicting duties, supervisory review and oversight of transactions, adequate safeguarding of monetary assets, and periodic independent reconciliations of monies collected.

Discussions with management, as well as compliance testing of available money collection records for the facility rental fees charged to a judgmentally selected sample of 13 institutional sports camps/clinics owned/operated by AD head coaches (via their for-profit limited liability companies) during the audit period, indicated the following exceptions:

- For full-week sessions conducted by *four* of 13 camps/clinics, management could not locate documentation to verify the assessed facility rental fees totaling \$1,500 (20 days x \$75/day) were paid by the owners/operators, logged, and recorded on the university's books. Additionally, we noted that the owner/operator for *three* of the aforementioned *four* camps/clinics conducted a combined total of *ten* multi-day camps/clinics during the

audit period for which there was no evidence the university received payment of the total rental amount due of \$3,525 (47 days x \$75/day);

- AD Facilities Management employees responsible for preparing and mailing the facility rental fee invoices to the owners/operators, and/or updating of customers' records with payments received, were not independent of money handling;
- For six of nine camps/clinics where payment was made by the owner/operator, the facility rental fees were not remitted at least five business days prior to the event as required by the *Facilities Use Application*. The payments were made between four and 34 business days after the start of the camp/clinic; and,
- State sales tax was not being assessed, collected, and recorded for the facility rental fees.

Recommendation No. 3

We recommend management ensure:

- a. More diligent use of the tickler system established by the AD Facilities Management Office to generate rental invoices, monitor payments collected, and facilitate follow-up (in the event of delinquency), to better ensure receipt of contractually-required facility rental fee payments from all owners/operators;
- b. Segregation of the duties of invoice preparation and mailing, and update of customers' records, from the duties of money-handling and logging;
- c. Appropriate follow-up is conducted to ensure payment is received from the owners/operators of the cited sports camps/clinics. Prospectively, all owners/operators should be required to pay their facility rental fees in accordance with the contractual documents. In addition, management should require a documented independent post-semester reconciliation of expected facility rental fee revenue versus actual revenue collected based on the number and duration of camps/clinics for the semester; and,
- d. State sales tax is assessed, collected, and recorded for all facility rental fees billed to owners/operators of for-profit institutional sports camps and clinics pursuant to Section 212.031, *Tax on rental or license fee for use of real property*, Florida Statutes. Collected taxes should be posted to the appropriate Banner Finance fund – currently the Sales Tax Collections (SUSP04) fund – as required by university policy.

Management's Response

Action Plan:

- a. The AD Facilities Management Office will create a new "tickler system" via an Excel

spreadsheet that will improve the monitoring and tracking of all necessary camps/clinics documents and payments in conjunction with the AD Compliance and Business Offices.

- b. The AD Facilities Manager will implement and oversee an invoice preparation, mailing and tracking system for camps/clinics information. The AD Facilities Office will work with the AD Business Office in creating a process of handling all funds associated with camps and clinics that provides an efficient check and balance system that meets the above recommendation.
- c. There were two organizations from which rental fees were not collected. One entity has made payment in full and the second entity has entered into a three-installment payment plan which should be completed by August 2015. The AD Business, Compliance, and Facilities Offices will work with the University General Counsel's Office to revise the *Facilities Use Agreement* (used by the coaches) so that the contractual payment stipulations are more in-line with realistic payment schedules for camps/clinics. On a monthly basis for May, June, and July, when most camps and clinics are held on our campus, there will be an independent reconciliation of expected and actual revenues by the AD Compliance and Business Offices after the Facilities Office has submitted the information. Outside the summer time, the review process will be completed every three months during August through April.
- d. After consultation with the Controller's Office, the AD Facilities Office has incorporated the appropriate sales tax that will be assessed and it will be noted and documented on all invoices.

Implementation Date(s):

- a., b., & c. Started during the summer of 2015 and finalized by fall 2015 (December).
- d. Implementation date of summer 2015 (July).

Responsible Auditee:

Brian Battle, Associate Athletics Director – Business & Compliance.

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three fiscal years, our office has not conducted any audits related to the NCAA-defined sports camps and clinics. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on our observations and tests performed, we are of the opinion that the Athletics Department did not always maintain sufficient evidence to demonstrate adherence to applicable NCAA bylaws pertaining to institutional sports camps/clinics. In addition, its existing controls over NCAA-defined sports camps/clinics did not consistently assure compliance with all applicable state statutes, university regulations, policies, and procedures, and sound business practices. Our testing identified opportunities for improvement relating to policies and procedures; oversight of sports camps/clinics; and, accountability for athletic facility rental fees. We believe our recommendations to improve the internal control environment are cost-effective and can be readily implemented.

We wish to thank the staff of the Athletics Department for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP
Allaire Vroman