

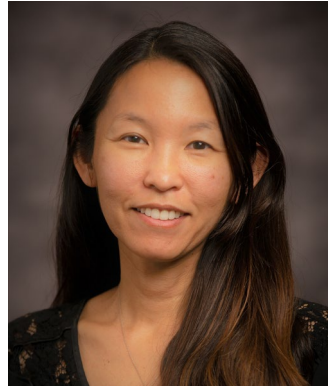


ACUA Sideline Committee:
Partnering with Intercollegiate
Athletics to Identify and Address
Financial and Operational Risks

July 27, 2023



- Don't forget to connect with us on social media!



ACUA Virtual Learning Director
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Chalk Talk- Internal Auditors going into the Athletics huddle

Partnering with Intercollegiate Athletics to identify and address financial and operational risks.

- John McDaniel - University of Alabama
- Bret Malone - University of Alabama
- Rachel Flenner - University of Minnesota



Keys to the Game

- 1) Know your opponent- Identify critical operational/financial risks for Division I, II, III, and other athletic departments.
- 2) Develop Defensive Scheme- Discuss highly-valued financial engagements you can perform to enhance your relationship with your athletic department.
- 3) Show good sportsmanship- Discuss the organizational culture of intercollegiate athletic departments and describe how that culture can impact your engagements.

Polling Question 1

When was the last time you performed an audit of Athletics Financial Operations?

- A. Within the last 2 years
- B. Within the last 5 years
- C. Within the last 10 years
- D. Never



First Key to the Game

Identify critical operational/financial risks for Division I, II, III, and other athletics departments.

KEY NON-NCAA COMPLIANCE RISKS



- Risk: Inadequate Financial Oversight

- Description: Lack of proper financial controls and oversight can lead to financial mismanagement, fraud, or misuse of funds.

- Potential Impact: Financial loss, reputational damage, legal implications.

- Controls: a. Implement strong internal controls, including segregation of duties, to prevent unauthorized access and ensure proper checks and balances. b. Conduct regular audits to identify any irregularities or discrepancies. c. Establish a clear financial management policy outlining budgeting, spending, and reporting processes.

KEY NON-NCAA COMPLIANCE RISKS

- **Risk:** Ineffective Financial Planning and Budgeting
- **Description:** Poor financial planning and budgeting can lead to overspending, insufficient program funding, and financial instability.
- **Potential Impact:** Deficits, program cuts, reduced competitiveness, decreased student-athlete experience.
- **Controls:** a. Develop a comprehensive budgeting process that involves input from all relevant stakeholders. b. Implement financial forecasting techniques to anticipate potential shortfalls or surpluses. c. Regularly monitor and review budget performance against actual expenses and revenues, and adjust as necessary.



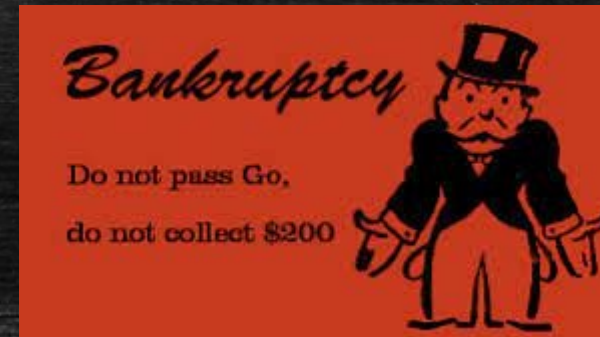
KEY NON-NCAA COMPLIANCE RISKS

▪Risk: Inadequate Fundraising and Revenue Generation

▪Description: Insufficient revenue streams can strain the financial health of athletic departments and limit their ability to invest in programs and facilities.

▪Potential Impact: Budget deficits, limited resources, reduced competitiveness.

▪Controls: a. Develop a strategic fundraising plan that includes diverse revenue sources, such as alumni donations, corporate sponsorships, and ticket sales. b. Establish effective donor stewardship practices to cultivate long-term relationships and maximize contributions. c. Regularly evaluate and adapt fundraising strategies to align with changing market conditions and donor preferences.



Polling Question 2

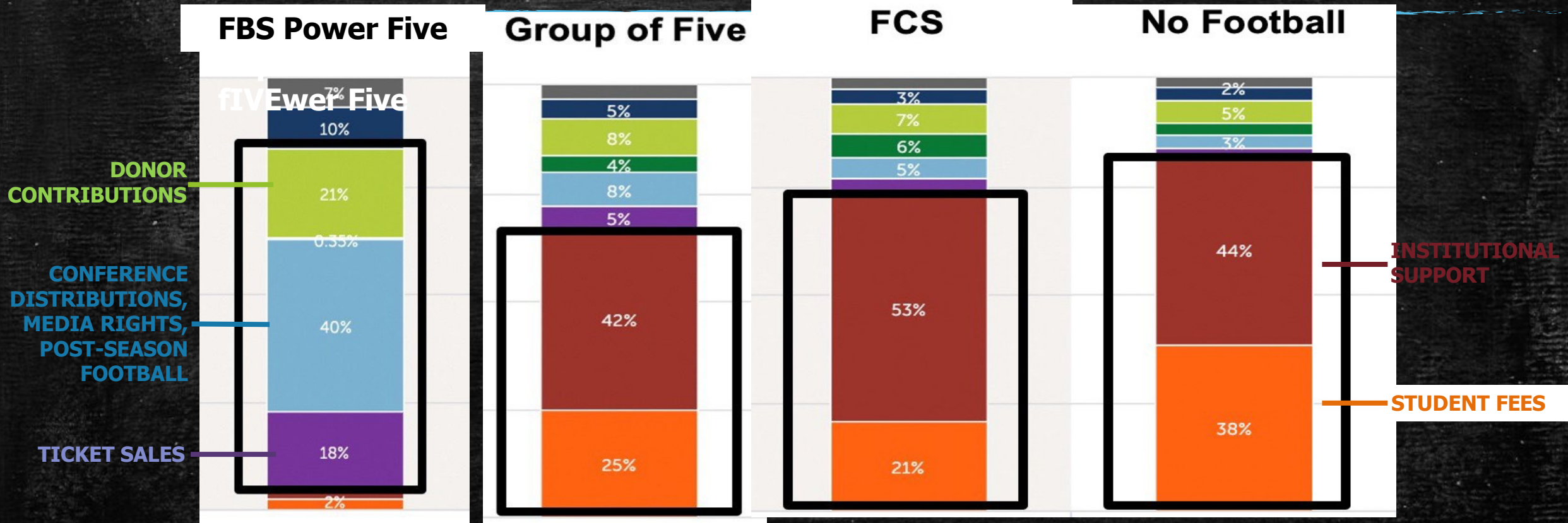
Which NCAA division has the largest number of member institutions?

- A. Division I
- B. Division II
- C. Division III
- D. NAIA



Major Sources of Division I Revenues

(median in each subdivision)

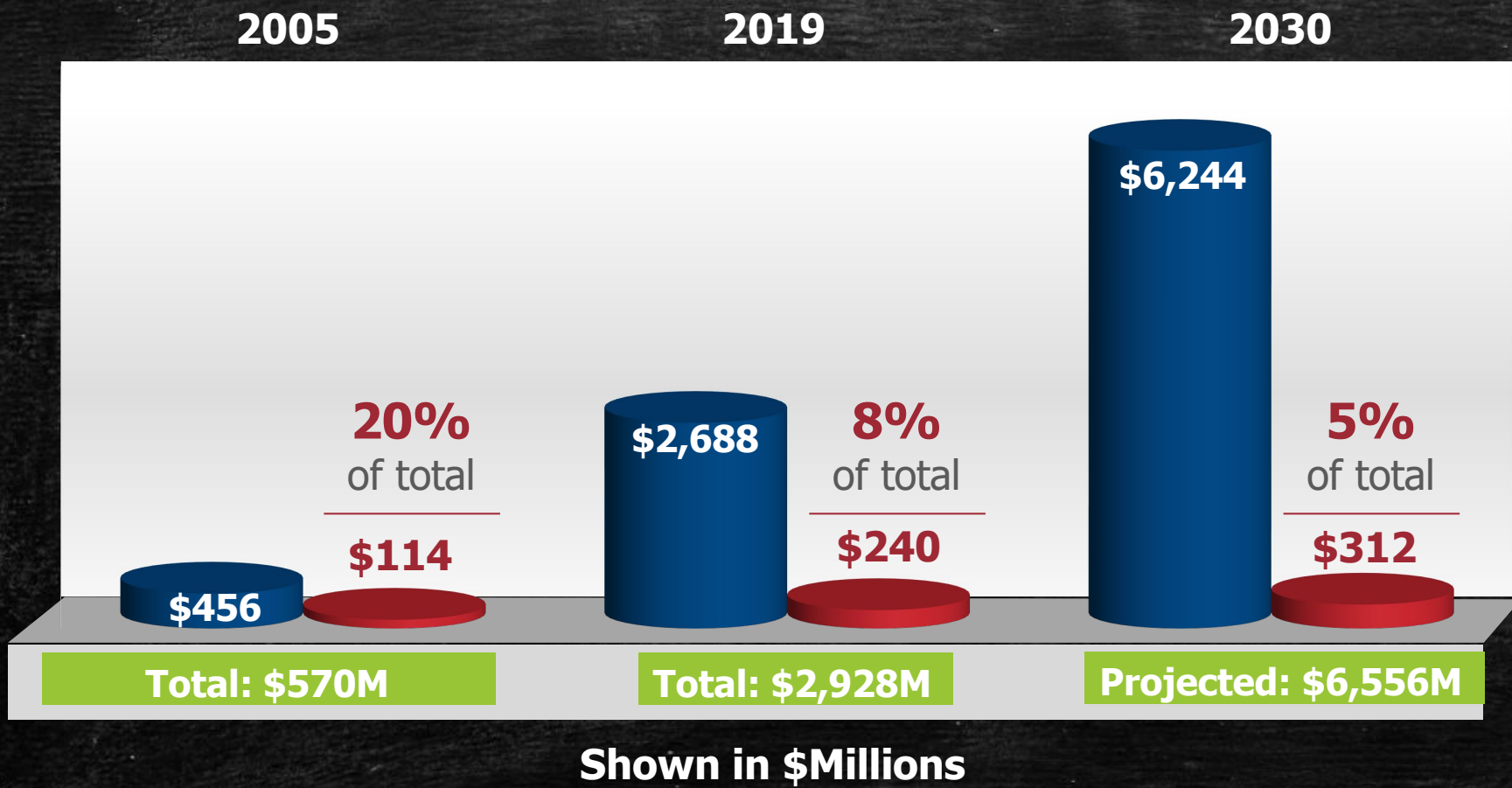


Key point:

The revenue sources for Power 5 schools are significantly different than the rest of DI.

Power 5 Conference Revenues From Two Major Sources

(ACC, Big 10, Big 12, PAC-12, SEC)



- Conference Distributions**
(Media Contracts, College Football Playoff, Postseason Football)
- NCAA Distributions**

Key Takeaway:
NCAA distributions are increasingly less meaningful to Power 5 schools.

Data Sources: 2005 and 2019 data are based on Conference 990 forms and NCAA Distribution by Conference Reports. 2030 NCAA projection based on growth in March Madness media contract. 2030 Conference revenue projections based on expanded College Football Playoff estimate, new media contracts, and escalating growth.

Expense Projections in Two Categories



Student-Athlete Expenses

(**all** athletes, **all** sports)

- Athletic Scholarships
 - Tuition
 - Housing
 - Meal Plans
 - Fees
 - Books
- Cost of attendance stipends
- Medical expenses
- Medical insurance



Football Coaching Expenses

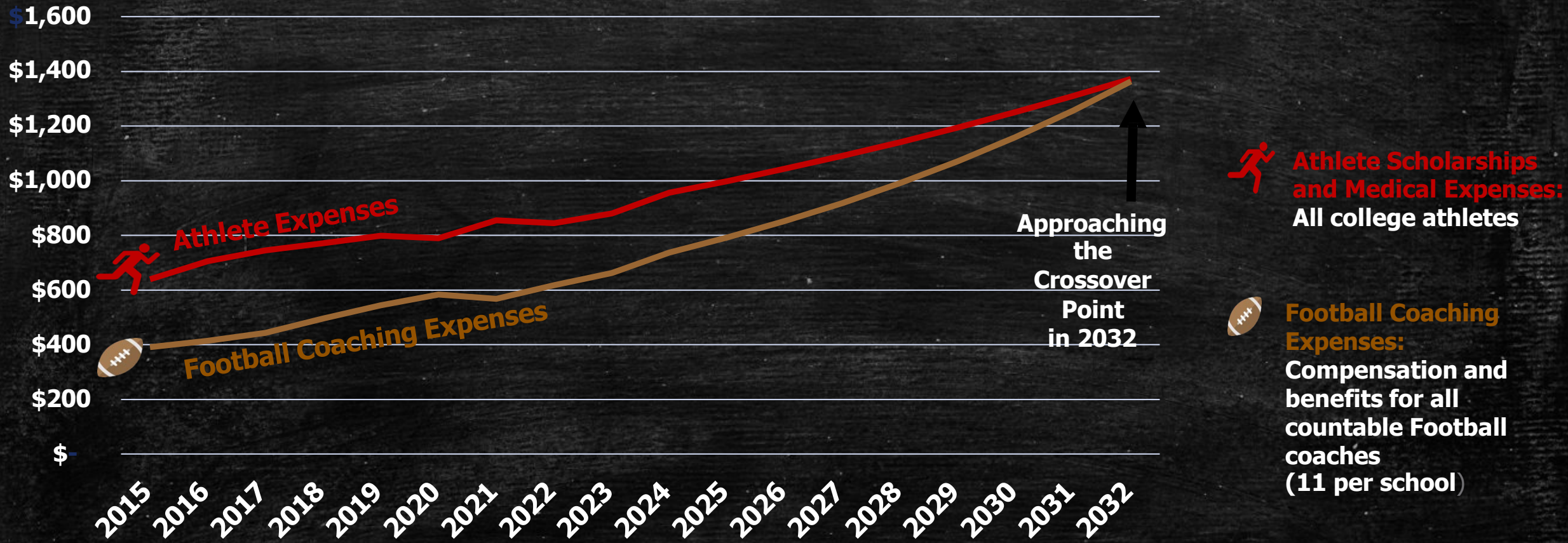
(**11** countable coaches per school)

- Compensation
- Bonuses
- Benefits
 - Allowances
 - Speaking fees
 - Retirement
 - Stipends
 - Memberships
 - Media income
 - Deferred compensation

Note: CLA used growth trends of expenses at public FBS institutions based on 2015 to 2022 fiscal years.

Projected Growth in Athlete vs. Football Coaching Expenses (2023-2032) Public FBS Power 5 Institutions

Using compound growth rates for 2015 through 2022



*Conference realignments are accounted for in the data. Each school is shown in the appropriate conference it will be in for the fiscal years displayed.

Division II, III, Two-year and NAIA Schools

Sources of Funds

- Student Fees
- Institutional Support
- Gifts
- Sponsorships
- Ticket Sales

Uses of Funds

- Coaching and Staff Salaries: Facilities and Equipment
- Scholarships and Financial Aid: Division III institutions are not permitted to offer athletic scholarships, but they often provide financial aid packages to student-athletes based on academic or need-based criteria. These funds support student-athletes educational expenses.
- Travel and Lodging
- Marketing and Promotion
- Academic Support: Compliance and Administration

Second Key to the Game

Discuss highly-valued financial engagements you can perform to enhance your relationship with your athletic department.

Revenue Generation-Potential Engagements

Athletics Ticket Office

- Reconciliations- between ticketing system, university ledger, credit cards, foundation/gifts
- Trade agreements- are they approved, reviewed periodically, trade value appropriate
- Priority/scholarship seating- those sitting in those areas being correctly charged and not waived
- Void, discounted, refunds- make sure all are monitored and properly approved. Approval should be done by someone without edit access to the system
- Comp tickets- is there an approval process and is it periodically reviewed

Revenue Generation-Potential Engagements

Contracts

- Receiving accurate/timely revenue from contract arrangements:
 - Marketing/multi-media (Learfield)
 - 3rd party ticket vendors (StubHub, VividSeats)
 - Concessions
 - Team apparel (Nike, Under Armour)

Revenue Generation-Potential Engagements

Gifts/Fundraising

- Advancement/ Gift Processing
- Proper Accounting and Distribution for Endowment Earnings
- Transparency and clarity of the relationship between athletics foundations and the athletic department
- Appropriate Utilization gifts/endowment earnings.
- Unaffiliated Booster Clubs

Expenditures-Potential Engagements

Travel/entertainment/meals

- All expenses properly justified(5 Ws) and approved by one-up
- Proper payment method used (p-card, travel card, PO)
- Conflict of interest between Athletics employees and vendors
- Travel related fringe benefits
- Monitoring vendor agreements and performance metrics

Expenditures-Potential Engagements

Compensation

- Employment contracts for senior staff and coaches
- Incentive pay (supplemental pay) and deferred comp agreements
- Employees in multiple positions
- IRS reporting for vehicle use, spouse travel and lodging, etc.

Polling Question 3

Is your audit shop welcomed by your athletics department?

- A. Yes- Great relationship
- B. No- they want nothing to do with us and we barely have presence
- C. Kind of- we are able to audit, but they don't have the welcome mat out



Third Key to the Game

Discuss the organizational culture of intercollegiate athletics departments and describe how that culture can impact your engagements.

Athletics Connections/Culture

Engagement

- Build relationships with AD/ key athletics management
- Fair treatment to all units on campus
- Succession planning- ADs/CFOs are not staying as long so there is loss of institutional knowledge/practices/norms
- Athletics landscape changing at lightning speed- auditors and athletics need to stay informed

Athletics landscape changing at lightning speed- auditors also need to stay up to date to assist athletics in hot topics/needs.

Athletics Connections/Culture

Red Flags

- Athletics always has a reason why this year is not a good time to audit X
- Athletics personnel never calls audit for advice
- Athletics does not mention challenges/concerns
- Lack of relationship between Athletics and other organizations on campus

Polling Question 4

What Athletics area do you consider to be the highest risk at your University?

- A. Revenue third-party contracts
- B. Ticket Office
- C. Expenditures (compensation, travel)
- D. No clue



Polling Question 5



▪ ARE YOUR ATHLETICS CAMPS OWNED BY THE COACHES OR BY THE SCHOOL?

- A. OWNED BY THE COACHES
- B. OWNED BY THE SCHOOL
- C. I DON'T KNOW
- D. WE DON'T HAVE ATHLETIC CAMPS

Post Game Locker Room Chalkboard Summary

- Know your institution's key revenue and expense generators and the associated risks to audit.
- Work to build relationships with Athletics to assess tone at the top and establish a partnership.
- Remember, culture represents the invisible belief systems, values, norms, and preferences of the individuals that form an organization. Conduct represents the tangible manifestation of culture through these individuals' actions, behaviors, and decisions. *Measuring Conduct and Culture: A How-To Guide for Executives* (New York: Oliver Wyman, 2018)



FINAL REMINDER!!!!

It is important to note that the specific risks and controls may vary depending on the unique circumstances of each higher education institution and athletics department. Therefore, conducting a thorough assessment tailored to the specific needs and context of the organization is recommended.



Announcements

Upcoming ACUA Webinars

Month	Date	Topic
August	8/17/2023	Lab Safety
October	TBD	Auditing Incident Response

Register for AuditCon!



Early bird
registration
ends July 31st!

See the ACUA website for more details: www.ACUA.org

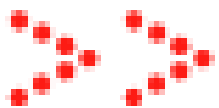


2023-24 Mentorship Program

- Seeking mentors and mentees for the upcoming year
 - Provide 1:1 guidance to new auditors or those seeking to advance their careers
 - Develop relationships, share **expertise and** experiences, and learn from others
- 1 year commitment; 3-5 hours per month
- If possible would like mentors and mentees to meet in person at AuditCon
- Deadline to register is Friday, August 11, 12 P.M. CDT

Additional information and registration forms are available at:
<https://acua.org/Member-Resources/Mentorship-Program>

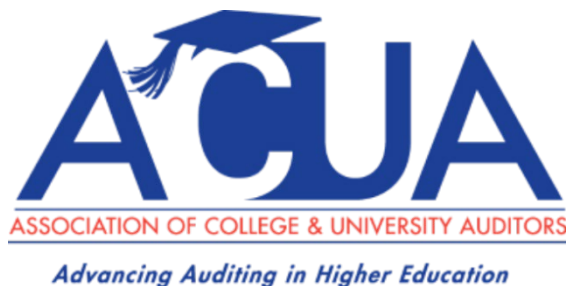
Please reach out to Patrick McKinney, UT Austin at: 512.471.0663
patrick.l.mckinney@austin.utexas.edu

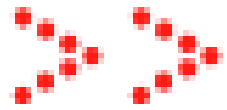


New Kick Starter Available!

Fraud Risk Assessments

Download today in the members-only Audit Tools section of www.ACUA.org





Next Kick Starter Release is August 15th!

Career Services

Will be available in the members-only Audit Tools section of www.ACUA.org





CONNECT WITH US



Working on a new audit subject? Looking for some best practices or insights from other higher education institutions? Connect with your colleagues on Connect ACUA! **Connect.ACUA.org**

Share your knowledge with others: Did you know that Connect ACUA allows you to post new messages directly from your email without logging in to the Connect ACUA website? Reply to a post today!



Stay Updated

- The College and University Auditor is ACUA's official journal. Current and past issues are posted on the ACUA website.
- News relevant to Higher Ed internal audit is posted on the front page. Articles are also archived for your reference under the Resources/ACUA News.

Get Educated

- Take advantage of the several FREE webinars held throughout the year.
- Attend one of our upcoming conferences:

AuditCon
September 2023
Miami, FL

- Contact ACUA Faculty for training needs.

Get Involved

- The latest Volunteer openings are posted on the front page of the website.
- Visit the listing of Committee Chairs to learn about the various areas where you might participate.
- Nominate one of your colleagues for an ACUA annual award.
- Submit a conference proposal.
- Present a webinar.
- Become a Mentor
- Write an article for the C&U Auditor.
- Write a Kick Starter.

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www.ACUA.org

Connect with Colleagues

- Subscribe to one or more Forums on Connect ACUA to obtain feedback and share your insights on topics of concern to higher education internal auditors.
- Search the Membership Directory to connect with your peers.
- Share, Like, Tweet & Connect on social media.

Solve Problems

- Discounts and special offers from ACUA's Strategic Partners
- Kick Starters
- Risk Dictionary
- Mentorship Program
- NCAA Guides
- Resource Library
- Internal Audit Awareness Tools
- Governmental Affairs Updates
- Survey Results
- Career Center.....and much more.



**Join us for
our upcoming
webinar.**

