



Office of Internal Audit

Audit of Athletics Department Operations

Report No. 17/18-01

October 23, 2017

Date: October 23, 2017

To: Pete Garcia, Executive Director of Sports and Entertainment

From: Allen Vann, Chief Audit Executive



**Subject: Audit of Athletics Department Operations,
Report No. 17/18-01**

Pursuant to our approved annual plan, we have completed an audit of Athletics Department Operations. The primary objectives of our audit were to ensure that the established controls and procedures over the collection of revenues and the expenditure were: 1) being properly adhered to; 2) adequate to provide reasonable assurance that significant errors or irregularities are prevented or detected in a timely manner; and 3) in accordance with University policies and procedures, applicable laws and regulations, and wherever applicable, the National Collegiate Athletic Association (NCAA) Bylaws.

The University is a Division I Football Bowl Subdivision member of the NCAA and competes as a member of Conference USA in most sports. Athletics has 110 employees and oversees 18 individual athletic programs. These include seven men's sports and eleven women's sports, with 205 and 173 participating student-athletes, respectively. Athletics' total revenues over expenses for the year ended June 30, 2016 was \$1.4 million, on revenues of \$28 million, 75 percent of which was generated from student athletic fees. Its fund balance deficit of \$3.6 million increased to \$5.7 million at June 30, 2017 resulting from capital expenditures.

Our audit disclosed that Student Athletic fees were properly assessed, collected, and accounted for. Nevertheless, long term funding for Athletics remains a challenge as it faces deficit fund balances. In addition, expenditure and operational controls and procedures need strengthening, particularly in the areas of: leave management, travel and expenditure disbursements, background screening, and conflict of interest reporting. Our audit resulted in seven recommendations which management agreed to implement.

We would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during this audit.

Attachment

C: FIU Board of Trustees

Mark B. Rosenberg, University President

Kenneth G. Furton, Provost and Executive Vice President

Kenneth A. Jessell, Chief Financial Officer and Senior Vice President

Javier I. Marques, Chief of Staff, Office of the President

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OBJECTIVES, SCOPE, AND METHODOLOGY

As part of the approved work plan for the fiscal year 2016-2017, we conducted an audit of the Athletics Department (Athletics) Operations for the period July 1, 2015 through June 30, 2016. The primary objective of our audit was to ensure that the established controls and procedures over the collection of revenues and the expenditure of funds are:

- (a) being properly adhered to;
- (b) adequate to provide reasonable assurance that significant errors or irregularities are prevented or detected in a timely manner; and
- (c) in accordance with University policies and procedures and applicable laws and regulations and wherever applicable, the National Collegiate Athletic Association (NCAA) Bylaws.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and included tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances. Audit fieldwork was conducted from August to October 2016 and from January to July 2017. During the audit, we tested for adherence to University policies and procedures, and applicable Federal and State laws and regulations. While not the primary objective of our audit, we tested for compliance with NCAA Bylaws, when applicable. We observed current practices and processing techniques, interviewed responsible personnel, and tested selected transactions. Sample sizes and transactions selected for testing were determined on a judgmental basis.

As part of our audit, we reviewed internal and external audit reports and found that no reports had been issued during the last three years with any applicable recommendations related to the scope and objectives of this audit, which otherwise would have required follow-up.



BACKGROUND

Florida International University (FIU or University) is a Division I Football Bowl Subdivision (FBS) member of the National Collegiate Athletic Association (NCAA) and is in its fourth year as a member of Conference USA in which all but the Beach Volleyball program competes. The Beach Volleyball program is part of the Coastal Collegiate Sports Association (CCSA). Athletics manages 18 individual athletic programs at eight campus facilities that serve as the sites for athletic, educational, and recreational activities. The tables below provide the University's athletic programs, along with the number of participating student-athletes.

| Men's Sports | |
|----------------------------------|------------|
| Football | 101 |
| Basketball | 13 |
| Baseball | 35 |
| Soccer | 27 |
| Cross Country/Track ¹ | 29 |
| Total Student Athletes | 205 |

| Women's Sports | |
|----------------------------------|------------|
| Basketball | 13 |
| Softball | 25 |
| Soccer | 26 |
| Cross Country/Track ¹ | 40 |
| Swimming & Diving | 19 |
| Volleyball | 17 |
| Beach Volleyball | 16 |
| Tennis | 9 |
| Golf | 8 |
| Total Student Athletes | 173 |

The table below details the Athletics Department's different revenue sources for the fiscal year ended June 30, 2016. The Student Athletic Fees, consisting of a \$10 semester fee and a \$16.10 per credit fee, comprised almost 75 percent of total revenues.

| Department Revenues | | |
|--|----------------------|-------|
| Student Athletic Fees | \$ 20,823,747 | 74.4% |
| NCAA & Conference | 3,942,211 | 14.1% |
| Game Guarantees | 1,401,000 | 5.0% |
| Transfers-in | 885,383 | 3.2% |
| Non-Operating Revenue - Internal Scholarship | 481,205 | 1.7% |
| DSO Non-Operating Revenue | 112,124 | 0.4% |
| Sponsorship Revenue | 78,100 | 0.3% |
| Miscellaneous Revenue | 62,788 | 0.2% |
| Ticket Sales | 61,844 | 0.2% |
| Event Revenue | 52,372 | 0.2% |
| Private Revenue | 20,076 | 0.1% |
| DSO Operating Revenue | 18,105 | 0.1% |
| Other Accounts | 33,310 | 0.1% |
| Total Revenues | \$ 27,972,265 | |

¹ NCAA identifies Cross Country, Track & Field Indoor, and Track & Field Outdoor as individual programs.

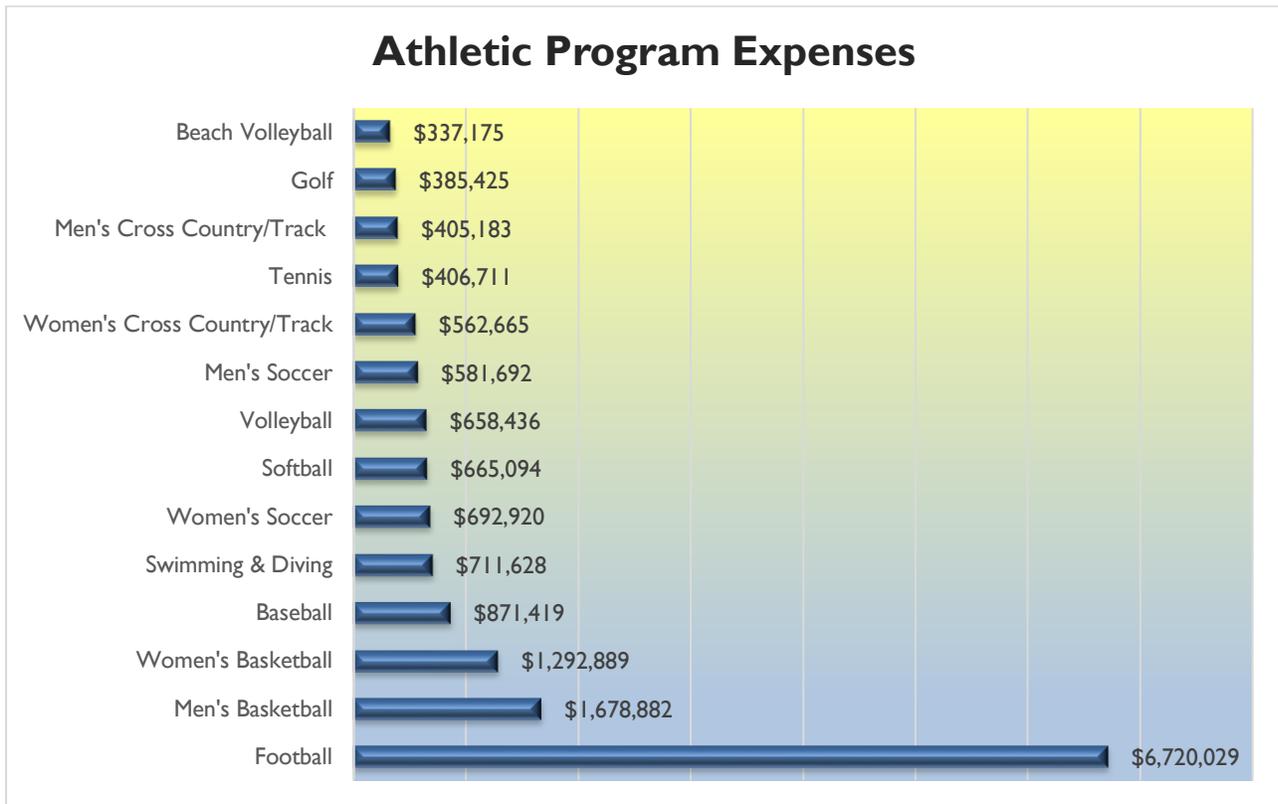
Athletics employs approximately 110 employees, 55 of which are coaches within the 18 athletic programs. The table below details fiscal year ended June 30, 2016 expenditures by cost categories.

| Department Expenses | | |
|----------------------------------|----------------------|-------|
| Salary and Benefits ² | \$ 8,490,960 | 31.9% |
| Scholarships | 6,773,413 | 25.5% |
| Team Travel | 2,296,933 | 8.6% |
| Professional Services | 1,826,209 | 6.9% |
| Transfers Out | 1,165,812 | 4.4% |
| Other Personnel Services | 913,038 | 3.4% |
| Facility Equipment Rental | 763,723 | 2.9% |
| Game Expenses | 685,478 | 2.6% |
| Material and Supplies | 677,976 | 2.6% |
| Equipment and Uniform Supply | 638,467 | 2.4% |
| Other Operating Expenses | 552,723 | 2.1% |
| Membership and Dues | 457,621 | 1.7% |
| Recruiting Travel | 447,031 | 1.7% |
| Guarantee Expenses | 356,581 | 1.3% |
| Medical/Insurance Expense | 313,272 | 1.2% |
| Other Expenses | 117,540 | 0.4% |
| Operating Capital Outlay | 104,620 | 0.4% |
| Total Expenses | \$ 26,581,397 | |

Thus, for the fiscal year ended June 30, 2016, Athletics had total revenues over expenses of almost \$1.4 million.

² Due to changes in the composition of the Football coaching staff, fiscal year 2017-2018 base payroll will increase by 35 percent.

The following table reflects the expenses incurred by each athletic program.



Athletics also maintains accounts at the FIU Foundation, a Direct Support Organization (DSO). Those revenues totaled approximately \$1.6 million with \$367,000 in expenses for the fiscal year ended June 30, 2016, and were included as part of our tests. The majority of FIU Foundation revenues were derived from donations (\$508,508) posted to the "Athletics Association" account and the recognition of deferred revenue for royalty payments of \$750,288. Total fund balances for these Athletics accounts were \$3,636,264 as of June 30, 2016, of which \$2,418,783 was unrestricted.³



³ At June 30, 2017, total fund balances were \$3,973,386, of which \$2,550,575 was unrestricted.

FINDINGS AND RECOMMENDATIONS

Our audit disclosed that Student Athletic fees were properly assessed, collected, and accounted for. Nevertheless, long term funding for Athletics remains a challenge as it faces deficit fund balances. In addition, expenditure and operational controls and procedures need strengthening, particularly in the areas of: leave management, travel and expenditure disbursements, background screening, and conflict of interest reporting.

Our overall evaluation of internal controls is summarized in the following table.

| INTERNAL CONTROLS RATING | | | |
|---|---|--|---|
| CRITERIA | SATISFACTORY | FAIR | INADEQUATE |
| Process Controls | | X | |
| Policy & Procedures Compliance | | X | |
| Effect | | X | |
| Information Risk | | X | |
| External Risk | | X | |
| INTERNAL CONTROLS LEGEND | | | |
| CRITERIA | SATISFACTORY | FAIR | INADEQUATE |
| Process Controls | Effective | Opportunities exist to improve effectiveness | Do not exist or are not reliable |
| Policy & Procedures Compliance | Non-compliance issues are minor | Instances of non-compliance are evident | Non-compliance issues are pervasive, significant, or have severe consequences |
| Effect | Not likely to impact operations or program outcomes | Impact on outcomes contained | Negative impact on outcomes |
| Information Risk | Information systems are reliable | Data systems are mostly accurate but need to be improved | Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions |
| External Risk | None or low | Moderate | High |

1. Athletics Financial Operations

The Athletics Department is managed from a business and accounting perspective as an auxiliary operation. Characteristically, auxiliary services furnish goods and/or services that are necessary or desirable and primarily are a benefit to students, faculty, and staff. Auxiliary services may charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. Auxiliary operations are required to be managed as a self-supporting entity through the fees they charge their customers for products or services rendered and may not obtain any support from the Educational and General (E&G) Fund. At all times, auxiliary activities must support the educational endeavor of the University and enhance its functioning.

Revenue Controls

In the case of Athletics, athletic student fees provided almost 75 percent of all revenues. In fiscal year 2015-2016, the departmental revenues totaled almost \$28 million; with student athletic fees accounting for \$20.8 million.

Athletic fees charged FIU students consisted of a per semester fee of \$10 and a per credit fee of \$16.10. The table below provides a fee comparison amongst the SUS institutions.

| University | Per Credit Hour Fee | Flat Fee Per Term |
|------------|---------------------|-------------------|
| UF | \$ 1.90 | - |
| FSU | \$ 7.90 | - |
| NCU* | \$ 8.71 | - |
| FAMU | \$ 13.97 | - |
| FPU* | \$ 14.12 | - |
| UCF | \$ 14.32 | - |
| USF | \$ 14.46 | \$10.00 |
| FIU | \$ 16.10 | \$10.00 |
| FAU | \$ 17.27 | - |
| FGCU* | \$ 17.54 | - |
| UNF* | \$ 19.27 | - |
| UWF* | \$ 20.93 | - |

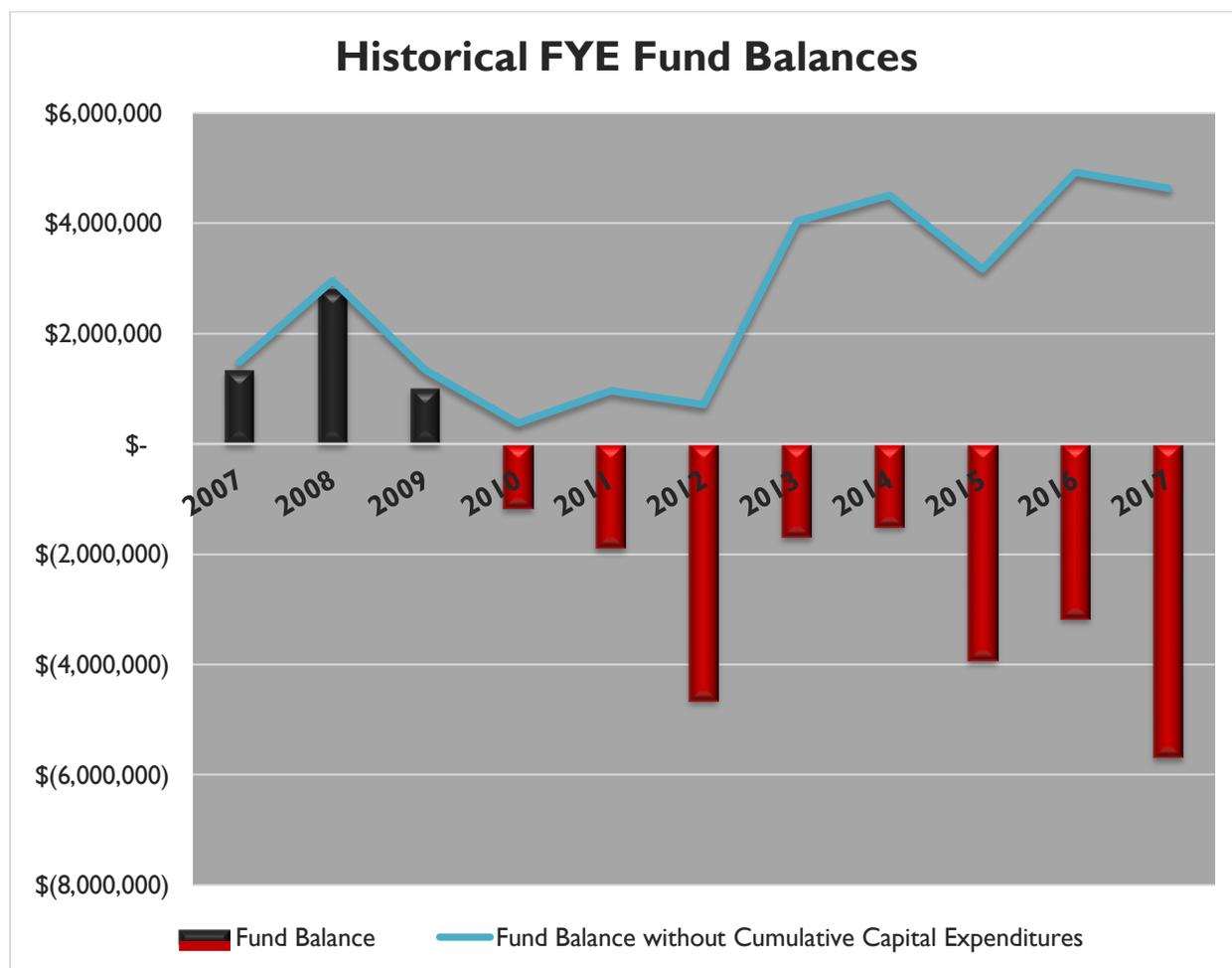
*NCU & FPU (No Athletics program), UWF (Division II), and FGCU & UNF (No Football program)

Student athletic fees, which amounted to \$20,823,747, were analyzed based on headcount and student credit hours. Based on our analysis, we determined that the appropriate amount of fees was collected and recorded.

We also tested revenues of \$1.3 million posted to Athletics' accounts at the FIU Foundation pertaining to donations and deferred royalty payments without exception.

Sustainability of Athletics Operations

While Athletics' 2015-2016 Auxiliary Fund reflected an excess of revenues over expenses of almost \$1.4 million, fund balances have been negative since 2010 due primarily to non-recurring capital expenditures. As of June 30, 2017, there was a negative fund balance of \$5,689,810. The following table reflects Athletics' fund balances for Fiscal Year End (FYE) 2007 through 2017. The negative fund balances have resulted from capital expenditures. The blue line in the graph represents where the year-end fund balances would have been had those capital expenditures not occurred.



As previously noted, Athletics also maintains separate accounts at the FIU Foundation which had a positive fund balance of \$3,973,386 as of June 30, 2017, of which \$2,550,575 was unrestricted.

To assist it in its capital funding needs, and as approved by the Board of Trustees (BOT) on June 4, 2010, \$5 million was loaned to Athletics from the University's Treasury between 2011 and 2014. These funds are part of the Strategic Purpose Investment Reserve (SPIR) resulting from the University's investments. The loan agreement carries a 2% interest rate that will be capitalized until pay-down begins in 2019 with interest totaling \$1.1 million. However, a one-time pre-payment of \$631,000 was made in June 2015. No interest will accrue during the pay-down period. Principal and interest yearly payments ranging from \$100,000 to \$500,000 are due from 2019 through 2035.

Additionally, on December 9, 2015, the BOT approved Athletics to pay for half the projected cost (\$4.5 million) on two intramural/athletics practice fields through an "internal loan or through fundraising". When the additional funds are drawn, this would bring the total maximum loan to \$9.5 million. As of the date of this report, additional funds have not been advanced. However, we understand a revised loan agreement is currently being negotiated.

Recommendation

| | |
|-------------------|---|
| Athletics should: | |
| 1.1 | Take steps to develop and implement a financial plan that eliminates the negative fund balance, taking into consideration the necessity of meeting long-term debt obligations and providing for the required self-supporting obligations. |

Management Response/Action Plan:

- 1.1 Management concurs with the recommendation and Athletics will continue to work with the University Chief Financial Officer (CFO) and the Office of Auxiliary and Enterprise Development to develop long-range budget plans that take into account competitive and capital expenditures while meeting our debt obligations and year-end positive fund balances.

An approved loan repayment plan for the capital investments responsible for the negative fund balances has been developed. Additionally, the Associate AD for Business Operations will continue to update the Athletics Director on a monthly basis of the current budget status and make adjustments as approved by the Athletics Director. Currently, Athletics gives quarterly updates to the CFO on budget to actuals for the fiscal year and this information is reported to the Board of Trustees.

Implementation Date: May 15, 2018

2. Leave Management/Compensated Absences Liability

University Policy No. 1710.330, Vacation Leave, states that exempt employees shall accrue vacation leave at 7 hours per pay period for a maximum accrual and payout of 352 hours. After one year of continuous employment, an employee who separates from the University shall be paid for all unused vacation leave not to exceed the maximum (352 hours) accrual amount.

During the review of the payroll records for 10 coaches selected judgmentally, we found that 3 employees were terminated and received the maximum payout for vacation leave hours (352), totaling \$123,296, as follows:

- One employee (former Football head coach) was employed for 3 years and 8 months and had not taken any leave (vacation or sick) during his tenure at the University.
- The second employee (former Baseball head coach) was employed for almost 9 years. He had not taken any sick leave and had taken only 10 days of vacation during that time.
- The third employee (former Men's Soccer head coach) was employed for almost 3 years and had taken two days of vacation.
- In addition, all three employees held summer camps in their respective sports and no leave was recorded during their camps.

A further review of the other 7 employees in the sample found that 2 employees had not taken any leave during their employment, which ranged from 8 months to almost 4 years, and currently had a potential payout ranging from \$5,000 to \$40,000.

In addition, there were 2 other employees that either held summer camps or coached for the summer Olympics but took no corresponding leave hours. The summer Olympics coach stated that he did not consider his time at the summer Olympics as vacation time, as he was there to coach one of FIU's student athletes. Notwithstanding, no Travel Authorization (TA) was completed for the coach. An approved TA is the traveler's permission to incur expenses and travel on behalf of the University.

At least 3 of the 10 employees posted pictures on publicly accessible social media from out of town that would suggest that they were on vacation. A review of their TA records and timecard records found that there was no TA prepared or leave requested during the time surrounding the postings.

At June 30, 2017, the total compensated absences liability for Athletics was \$949,000. The lack of a proper tracking system for employee leave can have significant financial liability to the University.

Recommendation

| | |
|-------------------|---|
| Athletics should: | |
| 2.1 | Ensure leave time is properly tracked and recorded. |

Management Response/Action Plan:

2.1 Management concurs with the recommendation and Athletics will review every employee's time in the system bi-annually. If an employee has not taken any leave during that period of time, an email will be sent to that employee asking them to either log their leave or certify in writing that no leave has been taken. The Executive Director of Sports and Entertainment will review this bi-annually as well.

Implementation Date: February 15, 2018

3. Other Expenditures

We selected 78 expenditure transactions for testing, totaling \$2,840,872, including 22 credit card transactions, from total non-payroll related expenditures of \$17.2 million during the audit period. Of the 78 transactions tested, 46 were related to travel, including team travel. We further tested the entire Expense Report (ER) for each travel transaction, making the total transactions tested \$3,409,620. These transactions were tested for compliance with University policies and procedures and applicable laws, rules, and regulations. The vast majority of the exceptions found were related to team travel. We found exceptions in 46 of the 78 transactions (59%), as outlined in the various categories below.

As part of our audit, we also surveyed other SUS institutions, as well as reviewed prior State Auditor General reports issued on the subject and obtained the University General Counsel's opinion. The findings herein below take into account those surveys and reviews conducted.

Travel

Of the \$3.4 million of total expenditure transactions selected for testing, \$1.4 million were related to team travel and recruitment travel expenses. Exceptions relating to travel disbursements are listed below by category:

Travel Meal Allowance

Per Section 112.061 of the Florida Statutes and the University's Travel Manual, a meal allowance per traveler is allowed for domestic travel. The meal allowances are reimbursed based on the following criteria:

| Meal | Rate | Travel Begins Prior To | Travel Extends Beyond |
|---------------------------|--------------|-------------------------------|------------------------------|
| Breakfast | \$ 6 | 6:00 am | 8:00 am |
| Lunch | 11 | Noon | 2:00 pm |
| Dinner | 19 | 6:00 pm | 8:00 pm |
| Total Rate Per Day | \$ 36 | | |

The NCAA in 2013 adopted changes to its Bylaws which became effective in 2013-2014 to allow an institution to use discretion to provide expenses, including incidental expenses, in accordance with institutional policies. Previously, the now repealed NCAA Bylaw §16.8.1.2.3, *Meal-Allowance Limitation*, had stated that such allowances, "...may not exceed the amount provided by the institution to institutional staff members on away-from-campus trips..." Notwithstanding, Florida Statutes have not reflected any such changes. It is the opinion of the University's General Counsel's Office that, "the student athletes fall within the 'authorized person' definition of Section 112.061(2)(e), Florida Statutes, and thus, would be entitled to the stated per diem rates..."

We surveyed other SUS internal audit departments as to their institutions' team travel meal allowances and the results were as follows:

| | |
|------|--|
| FSU | Excess over per diem reimbursed by Direct Support Organization (DSO) |
| UCF | Actual meal costs paid by Athletics DSO; not bound by state regulations on per diems |
| UF | Actual meal costs paid by Athletics DSO; not bound by state regulations on per diems |
| USF | Excess over per diem reimbursed by DSO |
| UNF | Area never audited in the past |
| FAMU | Meals reimbursed at state rates |

Additionally, Reports No. 2007-178 and 2008-048 completed by the Auditor General specifically state that Section 112.061, Florida Statutes, governs per diem and travel expenses of public agencies, including universities. For universities, other authorized persons may include students traveling in connection with athletic events. As such, all University travel expenses must be within the limitations prescribed by law.

We tested 40 transactions for which meals were reimbursed for team travel and recruiting expenses, all of which were reimbursed based on actual costs. During testing, we found 17 instances where the total actual costs incurred and reimbursed exceeded the allowable per diem meal allowance by \$72,270. (The amounts are detailed below by athletic program). This was determined by using the actual meal costs, including the NCAA allowed snacks and pre- or post-game meal, and subtracting it from the calculated allowable per diem costs, using the number of travelers and trip schedule per the manifests.

| Sport | Total Spent Over Allowable |
|--------------------|-----------------------------------|
| Football | \$ 63,574 |
| Men's Basketball | 5,107 |
| Men's Soccer | 2,070 |
| Women's Basketball | 1,519 |
| Total | \$ 72,270 |

Our testing of selected Volleyball, Swimming & Diving, Cross Country/Track, and Baseball travel reimbursements found all meal expenditures to be within allowable state guidelines.

Cash Advances

The Travel Manual states that an employee may request an advance to help defray out-of-pocket costs when traveling outside the vicinity of the University. A Travel Authorization (TA) must be approved prior to a Cash Advance being issued. The

maximum allowed for Cash Advances is 80% of the expected out-of-pocket expenses. Per the Manual, an employee is only allowed one Cash Advance at a time. However, the Controller's Office allows Athletics to have up to three cash advances per department employee, although this exception is not specified in the Manual. The maximum amount allowed is \$25,000, which must be justified. An advance will be approved for payment no earlier than 10 days prior to a trip and will not be issued after a trip has ended. Cash Advances should be resolved within 10 days after the completion of the trip. If a traveler does not resolve the Cash Advance within 30 days, the traveler will not be allowed another Cash Advance for 12 months. If a Cash Advance is not resolved within 60 days, the amount of the advance will be deducted from the employee's salary.

We reviewed 16 instances where Cash Advances were distributed and found that:

- 12 of the 16 instances required the employees to reimburse the University a total of \$39,541 for advances received over the actual out-of-pocket costs.
- 8 of those 12 reimbursements were submitted late, between 12 and 48 days after the completion of the trip. [Football (6); Men's Basketball (1); and Swimming & Diving (1)]

In addition, 14 of the 16 Cash Advances distributed were in excess of the 80% out-of-pocket expenses actually incurred. Total Cash Advances distributed over the allowable totaled \$50,718. Cash Advances were calculated based on the estimated costs for hotel, food, incidentals, and some vehicle rentals. However, since most hotel and vehicle rentals are primarily paid via purchase orders or University credit card, this resulted in the excess Cash Advances distributed. In all instances examined, such excess was reimbursed to the University. The table below reflects the 14 instances wherein Cash Advances were distributed in excess of the actual out-of-pocket expenses incurred, by athletic program.

| Athletic Program | Actual Cash Advance Distributed | Total Allowable Cash Advance (80% of the actual out-of-pocket) | Cash Advance over the Allowable |
|---------------------|---------------------------------|--|---------------------------------|
| Swimming & Diving | \$ 16,700 | \$ 4,818 | \$ 11,882 |
| Football | 7,000 | 2,566 | 4,434 |
| Volleyball | 7,200 | 2,892 | 4,308 |
| Football | 11,000 | 6,870 | 4,130 |
| Football | 6,000 | 1,888 | 4,112 |
| Football | 6,000 | 1,956 | 4,044 |
| Baseball | 7,968 | 4,699 | 3,269 |
| Football | 7,000 | 3,898 | 3,102 |
| Football | 6,800 | 3,866 | 2,934 |
| Cross Country/Track | 6,300 | 3,987 | 2,313 |
| Men's Basketball | 5,500 | 3,419 | 2,081 |
| Men's Basketball | 6,000 | 4,348 | 1,652 |
| Women's Basketball | 10,000 | 8,391 | 1,609 |
| Football | 5,000 | 4,152 | 848 |
| Totals | \$108,468 | \$ 57,750 | \$ 50,718 |

Hotel Accommodations/Lodging

The Travel Manual states that the most economical hotel room rate should be considered. Justification is required if the hotel rate is in excess of \$200. However, no such justification is required if the rate complies with the U.S. General Services Administration (GSA) rate. Additionally, if the University has an agreement with a hotel, and the contracted rate is used, justification will still be required if the rate exceeds \$200 and the GSA rate.

Of the 22 hotel invoices included in the sample selected, we found 4 instances in which the hotel rate not only exceeded the GSA rate (by anywhere from \$19 to \$299), but also exceeded the \$200 per night threshold (by anywhere from \$28 to \$196). The following outlines these 4 instances where no justification for obtaining lodging over these amounts was provided:

- One hotel stay was for local vicinity travel (see separate Finding below) and had a corresponding contract with the University. Rates for hotel rooms ranged from \$195 to \$235. Although the rates charged were in accordance with the contract, no justification was provided for the rates exceeding either the GSA rate of \$148 or the \$200 threshold. In addition, the hotel's presidential suite was purchased (\$235) for the former Football Head Coach's stay, which was not the most-economical room available.
- The remaining three hotel charges were for room rates over \$200, and no justification for the purchase was provided. GSA rates ranged from \$94 to \$265. The University paid room rates from \$228 to \$396. (Men's Track, Swimming & Diving, and Men's Basketball)

Although we understand that athletic teams normally accommodate multiple student athletes or employees in one room, the Travel Manual does not distinguish for such instances. In discussions with the Controller's Office, we understand Athletics could use such circumstances as justification for the room rates exceeding the thresholds in the future, so long as documentation is provided.

Vicinity Travel Lodging

A traveler may not claim per diem or reimbursement for lodging for vicinity travel unless extraordinary circumstances that necessitate the overnight travel are fully explained by the traveler and approved by the University Controller in writing prior to the expenses being incurred.

As is customary for most NCAA Division I football teams, the University's Football team stays in a local hotel the night prior to all home games. The University contracted with the hotel for lodging, food, and other ancillary services for its six home games at a total cost of approximately \$90,233. Testing of three instances, totaling \$56,263, where the team stayed at the local hotel, found that no approval from the University Controller was

obtained. When discussed with the [former] Controller, she stated she had only been made aware of the football team staying at the local hotel after the football season ended when the men's basketball team made the request using the football team as a precedent. The men's basketball team request was subsequently approved by the Controller.

Aircraft Travel

The Travel Manual indicates that aircraft travel must be the most economical rate and class available, which will normally be economy/coach class. If any flight changes occur, the original and revised itinerary must be submitted with the Expense Report to support any change fees or monetary changes in flights. Justification must be included with the supporting documentation. The review of airline ticket purchases found the following instances where no justification was provided for changes in flights; however, an explanation was subsequently provided upon our request.

- The University incurred a \$250 seat utilization penalty for a Men's Basketball trip when a passenger originally scheduled to fly did not. No explanation was provided with the support submitted.
- Another instance was found in Men's Basketball where \$600 in seat utilization penalties were incurred for not utilizing seats for three airline tickets purchased without any explanation for the three seat cancellations.
- One instance for Men's Basketball where an employee left two days after the team traveled but tickets were purchased for him on the original flight. An additional \$225 was incurred as a result with no justification provided.
- The purchase of 21 airline tickets for the Women's Basketball team of which only 18 individuals went on the trip. As a result, \$488 were incurred without explanation provided in the supporting documentation.

Entertainment Expense/Funding

The Travel Manual states that entertainment expenditures must be reasonable, prudent, appropriate to the occasion, and consistent with the University's mission. These transactions require detailed receipts and documentation to support the need for the expenditure, a list of attendees, agendas, detailed receipts, a statement of the business purpose, and any additional information to support the expenditure. This documentation is to be submitted with the completed Expense Report.

One Expense Report reviewed was that of the Swimming & Diving team's trip to Key Largo in late December 2015. This trip involved a week of team training that Athletics called "team building". The trip's costs totaled over \$18,600, which included over \$2,000 for the rental of personal watercrafts. The Expense Report did not include any support detailing the need for the expenditure or a statement of the business purpose.

The student athletes had held fundraisers to cover some of the costs incurred. A total of \$8,380 was fundraised by the student athletes and were posted to the Activity & Service

Fee Support (A&S) account. Athletics transferred \$11,450 from the A&S account into the team's Auxiliary Fund account to cover a portion of the trip's costs.

A review of the A&S account's transactions revealed that in addition to the fundraising revenue, tournament revenue totaling \$2,400 from the swimming tournament hosted by the University was also posted into this account. This resulted in two exceptions relating to the proper accounting of such funds:

- All revenue and expenditures relating to the fundraising events should be posted in the A&S account to ensure that moneys fundraised are used for its designated purpose; and
- Tournament revenue is revenue earned by the Swimming & Diving team and should have been posted to the teams' Auxiliary Fund account.

Missing Receipts

If an employee does not have a receipt for a transaction, an attempt should be made to obtain a copy of the receipt from the merchant. If a receipt cannot be obtained from the merchant, then an employee must complete a Lost Receipt Form and submit the Form with the Expense Report. The Lost Receipt Form must contain a detailed description and pricing of all items received. The Form must be signed by the payee, approved by a unit approver with budget authority and dated. Excessive use of the Form is not acceptable.

Testing found 19 instances in ten Expense Reports, totaling \$2,410, where the Lost Receipt Form was used. In all but 2 instances, the Form did not contain a detailed description and pricing of all items received. Included were 6 instances of \$150 or more, up to \$471. Of the 19 instances, three coaches (Men's Soccer, Men's Basketball, and Swimming & Diving) were responsible for 16 of the lost receipts.

In addition, we reviewed a Lost Receipt Form completed by the former Men's Soccer Head Coach for \$80 paid for tips on team breakfasts purchased at the hotel. The breakfasts were included in the hotel invoice and included a contracted 23% service charge, totaling \$444. As a result, a tip of approximately 27% was provided.

None of the Lost Receipt Forms contained support to provide proof of payment. Without proof of payment, there is no evidence that the employee paid for such goods/services. Although not required at the time by University Travel, as a result of our audit, proof of payment is now required to be submitted with the Form.

Travel Authorization

An approved Travel Authorization (TA) is the traveler's permission to incur expenses and travel on behalf of the University. This includes employees and students traveling on behalf of the University. Payment of travel expenses using the procurement card or by the traveler is prohibited without an approved TA.

- The Men's Soccer team completed a TA for travel to Kentucky for their last regular season match on November 6-8, 2016. However, the trip was extended to November 15, 2016 to play in North Carolina for the conference tournament without approval or changes to the TA. The trip's extension cost \$36,440. However, we determined that even with a loss in Kentucky, the team would have qualified as one of the seven teams for conference play. Since conference play was guaranteed, travel should have been approved beforehand via an approved TA.
- We also found two instances in Men's Soccer, totaling \$41,201, where the TA was approved the same day of the trip. In one instance, although the TA was approved the same day, it was done so after the team had left campus. Even though travel had not been pre-authorized, as required; in neither case did the University expend funds prior to the TA being approved.

In addition, the Manual states that the TA must include all travel expenses that are known or can be projected before the trip. In the current PantherSoft System, out-of-pocket expenses and University credit card purchases can be input into the TA to estimate total expenses. Per the Controller's Office, expenses paid via Accounts Payable should be included in the notes portion of the TA. In reviewing the TAs, we found the following exceptions:

- In six instances, the Football charter flights were not accounted for in the TAs. They should have been included for in the notes portion of the TA.
- Expenses encumbered via Purchase Order, such as lodging, and meals when included, and bus transfers were listed on the TA as line items, thus, encumbering the expenditure twice, rather than accounting for them in the notes portion of the TA.

Expense Report Submission

The Travel Manual indicates that after returning from a trip or incurring an expense, reimbursement is made by completing an Expense Report with accompanying receipts. The Expense Report must be submitted within ten days after the completion of the trip or incurrances of the expense. The Manual further specifies that Expense Reports related to student travel must be submitted no later than 30 days after the completion of the trip. We found two instances (both Football), totaling \$59,337, where the Expense Report was submitted between 37 and 48 business days after the completion of the trip.

Receipts and Supporting Documentation

After returning from a trip or incurring an expense, reimbursement is made by completing an Expense Report with all accompanying supporting documentation and receipts. The employee submitting the Expense Report and all related supporting documentation certifies that the information provided in the Expense Report is an accurate record of the

expenses incurred. Receipts must document the transaction information. Accurate and detailed records of purchases allow the FIU Travel Department, FIU, State, and Federal auditors to verify and audit the purchases for compliance with University, State, and Federal policy, statutes, rules, and regulations.

The Manual states, "All of the information on the receipt must be clear and legible and must include all of the required information. Transactions with a greater financial risk to the University may require a greater documentation standard than lower value financial transactions. Low risk transactions are generally defined as transactions under \$100, charges which appear reasonable in nature and charges that have additional support. High-risk items generally have a high dollar value or are unusual in nature. In these cases, additional documentation may be required."

The following are instances found during our review of Expense Reports (ER):

- We found that the same six air charter instances missing on the TA were also missing on the ER (\$500,445); one bus transfer was missing (\$5,080); and two instances where the lodging/meals were not included in the ER (\$44,412). Excluding such costs from the ER does not allow for an accurate review or record of the expenses incurred. (Football)
- A bus transfer totaling \$12,412 was listed on the ER but an invoice of \$14,912 was provided as support. We subsequently obtained the proper invoice. (Baseball)
- A bus transfer totaling \$6,410 was listed on the ER but an invoice of \$4,800 was provided as support. (Men's Basketball)
- Another ER had a bus transfer totaling \$1,470 but the support provided totaled \$735. (Football)
- A receipt for parking at the airport for seven days totaling \$131 was reimbursed. No support for why the car was parked at the airport when transportation for the team and employees from campus to the airport was provided by the University. (Men's Soccer)
- In the same ER as above, two taxi fares totaling \$68 were reimbursed but the purpose of the trips were not documented. We were unable to determine if the reimbursement was appropriate since there were vehicles rented during the trip.

Travel Manifest

When submitting documentation for group travel, a list of all attendees must be provided. In addition, the Athletics Compliance Operating Manual requires that a manifest must be submitted with the signatures of the Head Coach and the Athletics Compliance Officer (ACO). It also requires the supervisor to sign the manifest for per diems provided after the trip's completion, since these manifests serve to document the cash per diems

disbursed to the trip attendees, which the attendees sign off as having received such funds.

- We found 8 instances where a list of attendees or a manifest was not provided for team travel. Lists were provided upon our request.
- We found instances where 20 Team Manifest Forms were not signed by required personnel:
 - 7 instances where the Head Coach's signature was not on the Manifest.
 - 14 instances where the ACO's signature was not on the Manifest.
 - 18 instances where the Supervisor's signature was not on the Manifest.
- Furthermore, in three Expense Reports reviewed for Baseball team travel we found that in addition to the missing signatures above, the signatures of the individuals receiving cash were missing or suspicious.
 - 38 instances on two manifests where the student-athlete and non-students did not sign for the per diem they received totaling \$2,035.
 - The third manifest had been signed for all attendees receiving cash totaling \$1,650. However, we found that the signatures were similar and in questioning one employee on the list, we confirmed that it was not his signature. However, he was unable to confirm the amount of cash received on that trip.

Trip Cancellation

One instance was noted where the trip for a Beach Volleyball tournament in Hawaii was cancelled but the expense of \$3,000 for flight and hotel stay was paid. Payment was made on March 24, 2016 for a tournament to be played in April 2016. Per Athletics, the trip was cancelled when it was learned the Hawaii tournament conflicted with the Coast Collegiate Sports Association conference tournament, in which all conference teams were invited to participate. However, conference tournament officials confirmed to us that they had communicated with University officials in October 2015 regarding the April 2016 conference tournament. Thus, the tournament in Hawaii should have never been scheduled. A refund or a partial refund was not requested from the Hawaii tournament officials until our questioning. As of the report date, no refund has been received.

Unallowable Expenses

The Travel Manual maintains a list of all unallowable expenses for which travel expenses are not reimbursable. If the Manual does not provide specific guidance for reimbursement of an expense, or if the expense does not provide a direct benefit to FIU, the decision to reimburse is entrusted to the Office of the Controller to ensure that the use of public funds are adhered to within University Policy.

Some of the unallowable expenses include room service charges and expenses incurred by a spouse or family. During the audit, we found two instances where room service charges totaling \$41 was reimbursed. (Men's Soccer and Men's Basketball)

In addition, we found four games in which Football coaches' spouses were included in football team trips. No additional airfare or hotel costs were incurred since the spouses flew on the team's chartered flight and stayed in their spouses' room. However, we were unable to determine if they were included in the meals reimbursed, since no list of attendees was provided for each meal reimbursed.

Additionally, department guests, which included employees from departments not involved with Athletics, the Athletics Director's family members, and guests of the former head coach were invited on football team travel. These guests also included the guests' spouse and/or other family members. These guests all generated additional lodging costs for the University. We noted that in two games, involving three coaches' guests, the manifests reflected the guests' lodging expenses as having to be reimbursed, but based on our conversations with Athletics that was never done. Again, we were unable to determine if these guests were present for the meals reimbursed since no list of attendees was provided for each meal reimbursed.

Auto Rental

The Travel Manual states that the University uses the State of Florida contract with Enterprise and National for the rental of vehicles. This contract is only applicable for renting from Enterprise and National in the continental U.S. If an individual traveling on behalf of FIU chooses another rental agency, the traveler will be reimbursed at the rate of the State contract. If an employee is forced to rent from another rental agency, written justification must be provided with the Expense Report. For rentals other than the Enterprise or National contract, the excess cost may be required to be reimbursed to the University, unless adequate written justification is provided if the rental was paid with a University Credit Card.

We found the following instances in which Athletics could have saved money:

- One instance where a vehicle was rented for the Football team from Enterprise at a rate of \$152 a day, \$67 a day higher than the State contracted rate of \$85 a day.
- In addition, the Football team rented a car from Hertz at rate of \$165 a day versus the State contract rate of \$45 a day.
- Finally, vans were rented from Avis on a monthly basis by the Swimming & Diving team. The vans were rented at a lower rate than the State contract but were charged a 6% airport fee, totaling \$61 a month, even though they were picked up and dropped off at a non-airport location.

Credit Card Purchases

The Departmental Card Guidelines and Procedures Manual indicates that all receipts/invoices for credit card purchases must be maintained and submitted as documentation of the transaction. All receipts/invoices must contain the following information:

- Vender name and address
- Date of purchase and/or date of goods received
- Description of each item purchased
- Unit cost of each item purchased
- Total cost of the purchase charged to the Departmental Card

In addition, if the receipt does not clearly indicate the purpose of the purchase, then documentation should be attached to state the reason for the purchase.

Of the 22 credit card transactions selected for testing, 17 were travel related and were addressed within the prior comments; however, 5 were non-travel related and totaled \$34,747. Our review of these 5 transactions found the following instance.

A purchase of T-shirts, totaling \$5,319, was made but no purpose was indicated. Athletics management later explained that the T-shirts were purchased as a giveaway for a football game. The image printed on the T-shirt was also not provided. In addition, the proof of payment provided was a quote not a receipt/invoice. Payment was approved without an appropriate invoice and without any shipping information. An invoice verifying payment was subsequently obtained after our request.

Other

During the review of payments made through the Accounts Payable process, we found seven instances where the support provided for payment was incomplete or insufficient.

- The University obtains secondary insurance for all student-athletes to supplement any payments incurred that are not covered by the student's primary insurance. When claims are incurred, the insurance broker invoices the University with the amount due. We reviewed four invoices, totaling \$213,500. The invoices only reflected the amount due but did not have the support for how that amount was calculated or the claims submitted to be paid. Per Athletics, they receive emails with the balance of open claims and the funds available to pay the claims submitted. This support was not included in the supporting documentation submitted for approval and payment, nor was any support provided for claims the paid during the invoice period.
- Two invoices from Aramark, totaling \$35,062, were paid without detail of what was purchased. We were subsequently able to obtain the details, which were meals for the Football team.

- One invoice reviewed was for the purchase of 45 conference championship rings for the Swimming & Diving team, totaling \$10,530. The invoice provided the number of rings purchased but did not identify those individuals who received a ring. A distribution list was provided upon our request. We noted that both students and employees received rings.

Recommendations

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| Athletics should: | |
| 3.1 | Determine how travel meal allowances in excess of allowable state guidelines will be managed prospectively. |
| 3.2 | Work with the Controller’s Office to ensure compliance with all University policies and procedures. In most of the circumstances identified in this section, compliance would simply require proper support, prior approval, explanation and/or justification of expenses, and timely submittal of TAs and ERs. While in other cases, cash advances should be computed using expected out-of-pocket costs and resolved timely; proof of payment should be obtained for missing receipts; travel manifests should be properly signed-off; and trips better planned to avoid conflicts. |
| 3.3 | Ensure that tournament and fundraising funds are posted to the proper fund/accounts. |

Management Response/Action Plan:

Athletics Department’s Response

3.1 Management concurs with the recommendation that travel meal allowances in excess of allowable state guidelines should be reimbursed via the Foundation. Athletics will work with the Office of Internal Audit, Foundation, and Controller’s Office to implement a plan to reimburse the University for travel allowances that are in excess of allowable state guidelines.

The Athletics Business Office will begin calculating the allowable per diem rate for team travel versus actual expenses to show the total amount of reimbursement that would be due to the University. Once an acceptable plan for reimbursement has been created athletics will prepare the necessary invoices to the Foundation to process the reimbursement.

Please note that NCAA Bylaw 16.5.2(d) addresses per diem and/or meal allowances as "meals incidental to participation" and gives institutions the flexibility to award either meals or per diem (but not both). In the case of per diem, the cash amount

must be equivalent to the institutional policy for per diem. In the case of meals, institutions are permitted to provide meals at the institution's discretion.

Implementation Date: January 15, 2018

3.2 Management concurs with the recommendation and Athletics will take the following steps to implement the recommendation.

The Athletics Business Office will work with the Controller's Office to ensure that Athletics Business Office employees are well versed on travel and expense reimbursements, P-Card transactions, and purchasing policies. This will be accomplished via annual workshops.

Athletics will request the Controller's Office give a presentation at an Athletics all-staff meeting and that this presentation be given annually.

The Athletics Business Office will prepare checklists for travel, expense reimbursements, and purchasing to assist staff members in properly preparing travel advances, reimbursements and requesting purchase orders. The checklists will outline the proper support and approvals needed for each transaction. Checklists will be distributed as soon as created and reviewed by Controller's Office and senior staff.

Athletics Business Office staff will begin including memos of explanation for expenses that are out of the ordinary (i.e., airfare fees for name changes or non-travel), hotel rates that are in excess of the GSA rate, and any other expense or purchase that could be deemed excessive or not in compliance with state guidelines by an outside party. This has been implemented.

The Athletics Business Office staff will continue to work with Athletics staff on the timely submittal of Travel Authorizations and Expense Reports. It is worth noting that coaches may not know that they need to go on a recruiting trip or visit until the day of travel and as such, Travel Authorizations will be made the day of instead of in advance when these exceptional trips are required. Athletics Business Office staff is working with Head Coaches and Director of Operations to submit team travel advances at a minimum 10 business days before departure. This is ongoing.

Expense reports that have not been submitted within 20 business days of the date of travel will be reported to the Associate AD for Business Operations who will in writing inform the employee in question and his/her supervisor that they have 10 business days to submit the expense report. This will begin immediately.

Cash advances that have not been resolved within seven business days of return will be reported to the Associate' AD for Business Operations who will inform in writing the employee in question and his/her supervisor that they have three business days to resolve the advance. This will begin immediately.

Athletics Business Office staff will work with the Controller's Office and Division of IT to see if it is possible to add drop down boxes on the travel advance and cash advance screens for expenses that will be paid via p-card or purchase orders. In the interim, Athletics Business staff will make notes on the travel authorizations of known expenses that will be paid by credit card or purchase order. Athletics Business Office staff will work with the Controller's Office to implement a procedure to ensure proper calculation of the cash advance. It should be noted, that many travel authorizations are done well in advance in order to purchase airline tickets at the best possible pricing. As a result, it may not be known at the time of the creation of the authorization whether any other expenses will be paid via the p-card or purchase order and these will be inputted as out of pocket expenses.

The Athletics Business Office will require proof of payment for any missing receipt forms. The receipt forms will outline the nature of the expense. This will begin immediately.

The Athletics Business Office staff in conjunction with the Athletics Compliance Office has revised the travel and per diem manifests. In addition, the form has been uploaded to our compliance software so the form can be electronically submitted and approved. Athletics Business Office staff will review the manifests to ensure that it has been properly signed off by the appropriate Athletics personnel.

It should be noted, that the finding regarding the cancelled trip outlined in the report was a unique situation and the Athletics Business staff has been in contact with the promoter to continue to seek reimbursement of the cancellation fee. Athletics has not had any other cancellations except those caused by inclement weather.

Implementation Date: December 15, 2018

- 3.3 Management concurs with the recommendation. Currently Athletics does not budget for any tournament revenue that the Olympic-sports sponsor in the operating budget for the fiscal year. As these are unbudgeted dollars, we have not accounted for these dollars in the Auxiliary accounts (fund 411). Going forward, Athletics will continue to use this same practice. In speaking with the Office of Auxiliary & Enterprise Development, it was suggested that Athletics use activity numbers that would be in a 331-fund code that would allow for such revenues and expenses to be run through as opposed to using the A&S accounts (fund 452) to account for these revenues and expenses.

Athletics will be working with the Office of Auxiliary & Enterprise Development to set up activity numbers in fund code 331 for those sports that have entry fees attached with their tournaments or competitions. This will allow those sports to roll over any unused funds in these accounts to the next fiscal year and will assist the Athletics Business Office in correctly accounting for the total net amount gained for each sport.

Any fund-raising dollars that are not considered charitable by the Foundation will continue to be deposited into the 452 activity numbers and any expense associated with the purpose of the funds being raised will be expensed from the same activity number.

Implementation Date: March 15, 2018

Office of the Controller's Response

- 3.1 An Athletics specific addendum will be inserted in the travel manual. This section will reiterate how meals for Athletics travel and vicinity meals will be accounted. Meal per diem for Athletics travel will be reimbursed per the allowable per diem rates in the FIU Travel Manual. Anything exceeding the allowable per diem will be invoiced to the Foundation for reimbursement.

The addendum will also provide instructions on calculating banquet, restaurant, or other meal charges, which must be in accordance with FIU travel policies and procedures as well as state expenditure guidelines. Manifests will be required.

Additionally, mandatory training for athletics department will be conducted annually, as well as mandated travel training before access is granted to the system.

- 3.2 Currently in an effort to avoid late submission of Expense Reports, an email reminder is sent to approvers (or their delegates) who have pending Expense Reports in their queue for more than 72 hours. The email reminders continue daily until the approver approves or sends back the Expense Report and it is removed from his/her queue.

In addition, a similar notification will be added to go out based on dates submitted on the Travel Authorization. Five days after a trip ends, a reminder email will be sent out. At the 10-day mark, another email reminding them that "today is the deadline" will be sent out, copying the HR supervisor.

Payment Services will collaborate with Procurement Services to explore the opportunity for the use of Total Contract Manager's (TCM) platform to capture reportable data for hotel rates within a contract. Justification for contracted rates over \$200, unless rate complies the GSA, would require appropriate justification.

Additionally, management has implemented a weekly review of 10 Expense Reports. This sample size makes up 2% of the approximately 415 total Expense Reports processed weekly. This review is conducted to ensure the travel team is performing audits that support the guidance provided in our policies and procedures. These reviews are subsequently reviewed by the Assistant Controller of Payment Services.

Immediate training will be provided to the travel staff reiterating the expectation that each charge must have appropriate supporting documentation. The objective is to

emphasize that not only should receipts and support match the reimbursable amounts, but also a certain level of analysis must occur upon review of each Expense Report. The findings identified on the Athletics Audit will be used as a resource during this session. Annually, a formal, in depth training will be provided to all travel staff, reviewing the travel manual and internal procedures manual in detail.

Finally, the Lost Receipt Form has been updated to include the fields necessary for compliance.

4. Background Screening

University Policy No. 1710.257, *Pre-employment Requirements*, requires the performance of a reference check, a criminal history check, and any other background check required by law, for all prospective employees. The Policy also requires more in-depth criminal history checks, which includes fingerprinting, through the Florida Department of Law Enforcement for employees in sensitive positions. Included in this category are all employees of the Athletics Department who travel with students to events.

Upon review of the employment records of the 48 coaches, 5 had no record of fingerprinting having been conducted.

Recommendation

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|-------------------|---|
| Athletics should: | |
| 4.1 | Work with Human Resources to ensure that all employees traveling with the team obtain the required in-depth criminal history checks, which includes fingerprinting. |

Management Response/Action Plan:

4.1 Management concurs with the recommendation. Athletics will work with HR to get a list of all current employees and their fingerprint status. If it has not been completed, it will be completed immediately. Athletics will rely on HR to follow their policies and procedures when onboarding employees required to be fingerprinted.

Implementation Date: January 15, 2018

5. Outside Activity Form

University Policy No. 1710.075, *Conflict of Interest*, states that any University employee considering outside activity/interest is required to complete the Report of Outside Activity Form prior to engaging in such activity and may not engage in such activity until the outside activity has been approved. The Report of Outside Activity Form must be completed on an annual basis and/or when an outside activity begins or substantially changes, or has not been previously reported.

Our review of the 10 sampled employees found that 7 employees had outside activities during the summer of 2015 and 2016, which included summer camps held on campus or coaching of a University student-athlete at the Olympics. Of the 7 employees, we found that 6 had completed a Report of Outside Activity Form but improperly certified that they did not have any outside activity in at least one of the years examined. In addition, 1 of the 6 employee's Form was completed for a camp held in 2015 but was never approved by their supervisor. (Football, Volleyball, Baseball, Softball, Men's Soccer, and Swimming & Diving)

Recommendation

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|-------------------|--|
| Athletics should: | |
| 5.1 | Ensure that coaches working summer camps have a properly completed and approved Report of Outside Activity Form on file. |

Management Response/Action Plan:

5.1 Management concurs with the recommendation. Athletics will invite HR to speak with our coaches at an upcoming meeting to continue to educate them on how to properly complete conflict of interest forms.

Implementation Date: January 15, 2018