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MEMORANDUM

Code: AA-2009-10

Date: May 5, 2009

To: CSU Presidents

From: Allison G. Jones 
Assistant Vice Chancellor, Student Academic Support

Subject: Revised Policy Statement: Intercollegiate Athletics, Governance and Athletic Financing

This revised memorandum supersedes EP&R 87-31 *Policy Statement: Intercollegiate Athletics, Governance and Athletic Financing*. Based on the finding in the Systemwide Audit Report 07-40 Athletics Administration, the Office of the Chancellor reviewed and updated the policy statement regarding intercollegiate athletics. The revised policy statement specifically addresses the following items.

- Revised Section I - Athletic Governance to be in compliance with the National Collegiate Athletic Association (NCAA) operating bylaw 22.2.1.1.
- Reviewed and updated policy references where applicable.

Attached is the Policy for Athletic Governance and Financing (attachment A), and the Guidelines to Implement the Required Annual Review of Intercollegiate Athletics (attachment B).

Questions regarding this coded memorandum may be addressed to Mr. Allison G. Jones, Assistant Vice Chancellor, Academic Affairs, Student Academic Support, at (562) 951-4744 or ajones@calstate.edu or Mr. Ray Murillo, Associate Director, Student Programs, Academic Affairs, Student Academic Support, at (562) 951-4707 or rmurillo@calstate.edu.

AGJ/rm

Attachment

Distribution: CSU Provosts/Vice Presidents for Academic Affairs
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CSU Campuses

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Attachment A

Policy for Athletic Governance and Financing

I. Athletic Governance

A. California State University Board of Trustees Authority

- (1) The Trustees have the authority for the California State University to enter into athletic operations and competition. The Chancellor has been delegated authority from the Trustees to enter into athletic operations and establish such policies necessary for operation.
- (2) The standing Orders and Resolutions of the Board of Trustees, specific Trustee policy issued via Chancellor Executive Orders and administrative policy memoranda provides oversight and broad policy formulation for all campuses within the California State University.

B. Presidential Authority

- (1) The president will have regularly scheduled joint meetings with the director of athletics and the chief fiscal officer (or other fiscal officer designated responsible for athletic finances).
- (2) Either the president or an administrative representative of the president should be an active, participating member of the campus' athletic council.

C. NCAA Governance Requirements

- (1) Athletics Advisory Committees should be authorized to review all proposed athletic policies and budgets and make recommendations to presidents.
- (2) The NCAA institutional representative should be appointed to the athletics council, *ex officio*, with or without vote as may be appropriate to a given campus' preferences.

D. Campus/Community Organizations

- (1) An individual reporting directly to the president (e.g., a director of athletics, an NCAA institutional representative, or other official representing the president) should be a member of the executive committee or other leadership cadre of all campus "booster groups."
- (2) All contributions, cash or in-kind, should be reported to and be under the control of the university.

II. Athletic Financing

General Principle: Any expenditure which is appropriate to any instructional program is also appropriate to athletics, as it is an instructional program.

Design, Implementation, and Expenditure of Athletic Budgets

A. Instructionally Related Activities Funds

It is important to note that the annual Budget Act specifically and explicitly precludes the use or expenditure of that portion of campus IRA funds that are derived from the state appropriations for intercollegiate athletics.

B. Student Athletic Insurance

- (1) The recommendations of the Ad-Hoc Committee on Catastrophic Athletic Insurance (August 29, 1984) should be implemented. Campuses are encouraged to obtain information from the NCAA on its Catastrophic Injury Insurance Program. State appropriations cannot be used to purchase such insurance. Executive Order 1034 stipulates that the cost of insurance for extramural athletic activities shall be paid for from IRA fee revenue.

C. Health Care Facilities and Personnel

- (1) A campus may provide health services for its athletic program within the requirements of Executive Order No. 943 - Policy on University Health Services.

D. Athletic Team Travel

- (1) Where non-state appropriations are unavailable or inadequate to support the transportation costs of intercollegiate athletic teams, university funds may be used to provide appropriate ground transportation for travel to scheduled competition. All such travel shall be in conformity with The California State University policy and regulations concerning the use of university and state vehicles. This policy is contained in coded memorandum FS-2009-01, and the California State University Use of University and Private Vehicles Policy Guidelines, revised March 2002.

E. Capital Improvement of Athletic Facilities

- (1) Campuses contemplating building, expansion, repair, or renovation of athletic facilities should work closely with the Division of Capital Planning, Design and Construction at an early stage in the planning process. The site of an athletic facility, on-campus or off, ought not to be a determining factor. An important consideration should be whether the campus will incur a fiscal obligation, explicit or implicit, as a result of building, expanding, repairing, or renovating an athletic facility.

F. Game Expenses

- (1) It would be an improper use of state appropriations to pay for the following:
 - Athletic grants-in-aid or athletic awards; (See EO 1034 and EPR 83-58 for policy with regard to grants-in-aid.)
 - Custodial, maintenance, or security services beyond those provided for normal campus services;
 - Food, lodging, and travel (except for ground transportation, as recommended above) for student athletes;
 - Game advertising;
 - Game guarantees or entry fee;
 - Game officials, ushers, and ticket takers;
 - Game programs; and
 - Insurance.

Budget Administration and Supervision

A. Principles of Sound Business Practice

- (1) Proposed athletics budgets should identify all sources and uses of funds, be prepared in sufficient detail to permit analysis and critique, and be accompanied by the prior year's approved budget and actual budget experience.
- (2) Budgets for expenditures should be consistent with realistic projections and maintained as part of the official Accounting Records of the campus.
- (3) Proposed budgets should be reviewed by the chief fiscal officer and approved by the president.
- (4) The president should designate the chief fiscal officer or other high-level fiscal official to monitor the financial operations of the campus athletic program.
- (5) Cash flow statements, including projections to the end of the fiscal year, should be prepared at least quarterly.
- (6) Revenue and expenditure statements, including projections to the end of the fiscal year, should be prepared monthly.
- (7) Significant variations—when either actual or projected revenue or expenditure differs from forecast—should result in action intended to bring expenditures in line with resources.
- (8) All athletic accounts should be maintained on an accrual accounting basis. At the end of the fiscal year the athletic program should have a positive cash position and a positive fund balance. Negative balances should be reported by a president to the Chancellor, and a plan to remedy this should be in place.

B. Management Review of Intercollegiate Athletics

- (1) Use of an annual “Management Review of Intercollegiate Athletics,” similar to the review of auxiliary organizations, based on the guidelines provided as attachment B will be required. The use of a common set of guidelines which concentrate on sound management and business practices is necessary to protect the fiscal integrity of the California State University.

C. Deficit Financing in Athletics

- (1) Campuses whose athletics programs depend upon non-state income should impress upon all who value intercollegiate athletics that there is a limit to the amount of campus general funds which can be allocated to support athletics without damage to the fundamental academic programs of the university. Unless non-State income sources are sustained and increased the athletic program on these campuses must and will be reduced in scope, size, and level of competition.

Attachment B

Guidelines to Implement the Required Annual Review of Intercollegiate Athletics

Purpose

The purpose of the suggested Management Review of Intercollegiate Athletics is to provide a campus President and other appropriate officials with systematic reviews of athletic management and fiscal policies and procedures. Going beyond the NCAA audit requirements, these reviews will concentrate on sound business practice in order to protect the fiscal integrity of the campus.

Implementation

The following guidelines to assist the President in carrying out the Management Review:

1. Campus Presidents should delegate to the Chief Fiscal Officer, or another appropriate official, the responsibility to inspect and review annually procedures and practices of campus intercollegiate athletic organizations to determine compliance with campus, California State University, and State policies, rules, regulations and adherence to sound business practices.
2. The Chief Fiscal Officer, or other designated official, should submit to the President written findings of the annual Management Review, with copies to the Director of Athletics and other appropriate officials.
3. The President, as appropriate, should seek counsel and advice on the findings and recommendations in the Management Review as it should be used as a means of correcting problems and implementing new procedures on a timely basis, and before the next Management Review.

Structure

The Management Review should be structured around financial statements and a general questionnaire designed to assist in describing general controls and identifying inadequacies. Operational reviews should be conducted on a rotating basis, concentrating each year on a different aspect of intercollegiate athletic management and operations.

Examples of areas of operation which should be considered for Management Review are:

- Purchasing and cash disbursements
- Sales and cash receipts
- Personnel and payroll, if applicable
- Cash management
- General Journal transactions
- Other areas of intercollegiate athletic organization, such as student athletic eligibility, academic progress, and graduation rate.

(For example, In a review of purchasing and cash disbursements a review of sound business practices would look for procedures and practices which promote efficient use of assets, e.g., the use of competitive bidding on purchases over a certain amount. The reviewer should also be concerned with controls which act to ensure that sound business practices cannot be circumvented, such as the use of purchase orders, received documents, check requests, and so on.)

The rotation should be organized to assure a total Management Review of intercollegiate athletics once every three years.

Each Management Review should incorporate both an analysis of compliance with appropriate policies and regulations, including NCAA requirements pertinent to the activity under review, and an evaluation of adherence to sound management and fiscal practices.

The Chief Fiscal Officer, or other delegated official, may rely on NCAA audit reports to assist in the annual Management Review. This would allow the campus reviewer to consider any problems noted by the outside accountant in his/her letter regarding internal control noted by the outside accountant in his/her letter regarding internal control. The campus reviewer should ask to see the working papers of the outside accountant.

Suggested Questionnaire

A questionnaire which would assist in an annual Management Review of intercollegiate athletics is on the following pages.

II. Budget

A. Preparation

- | | | |
|--|-----|----|
| 1. Is an annual budget prepared? | YES | NO |
| 2. Is it revised or subject to revision during the year? | YES | NO |
| 3. Are revisions documented and retained? | YES | NO |
| 4. Is the proposed budget presented against the prior year's Budget? | YES | NO |
| Actual? | YES | NO |
| 5. Are significant revenue and expenditure differences adequately explained in writing (e.g., decrease in number of games but no decrease in ticket revenues)? | YES | NO |
| 6. Are budget and expenditure account structures formatted to facilitate comparative analysis? | YES | NO |
| 7. Is the budget in sufficient detail to support analysis? | YES | NO |
| 8. If a deficit is indicated are there plans for a resolution?
(Please attach plans if a deficit is indicated.) | YES | NO |

B. Budget Approval

- | | | |
|---|-----|----|
| 1. Is the original budget approved by the Board? | YES | NO |
| 2. Is the budget approved by the President? | YES | NO |
| 3. Are revised budgets approved by the Board? | YES | NO |
| 4. Are revised budgets approved by the President? | YES | NO |

C. Budget Use

- | | | |
|--|-----|----|
| 1. Are significant variations from the approved budget monitored?
How often? _____
By whom? _____ | YES | NO |
| 2. Are the reasons for variances documented? | YES | NO |
| 3. Is the total impact of significant variances reported to the Athletic Director or his/her designee?
How often? _____
By whom? _____
Written or oral? _____ | YES | NO |
| 4. Please describe the budget controls in place to preclude over expenditure: _____ | | |
-

III. Athletic Expenditures

Are there written policies and procedures for:

- | | | |
|--|-----|----|
| A. Accounting policies and procedures? | YES | NO |
| B. Staff travel? | YES | NO |
| C. Team travel? | YES | NO |
| D. Purchasing? | YES | NO |
| E. Acceptance of gifts? | YES | NO |
| F. Other? | YES | NO |

Please describe: _____

- | | | |
|---|-----|----|
| G. Are cash flow statements prepared monthly? | YES | NO |
| In not monthly, at what periods? _____ | | |
| Are cash flows projected for the | | |
| Fiscal year? | YES | NO |
| Eighteen months? | YES | NO |
| Two years? | YES | NO |

IV. Student Athletes

- | | | |
|---|-----|----|
| A. Are there briefings of student athletes about NCAA requirements? | YES | NO |
| Who conducts the briefings? _____ | | |
| B. Are student athletes provided the Student-Athlete Statement, the NCAA Rules and Regulation Information Sheet, and the Academic Certification Statement at that briefing? | YES | NO |
| C. Is there a program staff person with responsibility for coordinating and distributing information about NCAA regulations? | YES | NO |
| Name and title of this individual: _____ | | |
| _____ | | |

V. NCAA Rules, Regulations, and Information

- | | | |
|---|-----|----|
| A. Are there current copies of the NCAA Manual, the NCAA Newsletter, legislative assistance, and similar publications available to: | | |
| Coaches? | YES | NO |
| Administrators? | YES | NO |
| Business and accounting personnel? | YES | NO |
| B. Are coaches tested for knowledge of NCAA regulations? | YES | NO |
| C. Are staff personnel tested for knowledge of NCAA regulations (pertaining to their duties)? | YES | NO |

c: Mr. Ray Murillo