Athletics risk management, an introduction – Take your best shot
Today’s presenters

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Agenda

- Importance of athletics compliance
- Building a relationship with athletics
- Updates from 2017 NCAA convention
- NCAA compliance areas
- Potential Internal Audit focus areas
- Audit resources
Importance of Athletics Compliance
Importance of Athletics Compliance

An institution is expected to have:

- **Administrative Procedures**: Both within and outside of the Athletics department that are in effect and operational.

- **For individuals who have responsibilities in the NCAA compliance areas**

- **Education and Training Programs**: To ensure that NCAA legislation is not being violated.

- **Monitoring Programs**
Importance of Athletics Compliance

IA’s role in Athletics compliance:

- Perform an assessment of the implementation of the institution’s policies and procedures
- Support internal control initiatives and interests
Building a Relationship with Athletics
Balancing act

Make IA “human”

Maintain independence
Become a part of the team

Meeting Participation

> Attend regularly scheduled Athletics department meetings
  > Rules Education Meetings
  > Department-wide staff meetings
> Deliver an annual presentation
> Conduct an annual Risk Assessment Meeting
  > Include the Athletics Director, Faculty Athletics Representative (FAR), and/or Compliance Director
Stay on Top of Current Events

> Subscribe to Athletics publications
  > National Association of Collegiate Directors of Athletics (NACDA)
> Attend Athletics related conferences
  > College Athletics Business Management Association (CABMA)
> Follow NCAA rules and your conference Twitter accounts for Athletics updates
Updates from 2017 NCAA Convention
Division I (DI) Council approved several measures aimed at helping their student-athletes have more discretionary time.

Key rule changes include:
- Prohibiting athletically related activities during a continuous eight-hour period between 9pm and 6am.
- Requiring a seven day break after the season and 14 additional days off during the regular academic year when classes are in session.
- Requiring the creation of a time management plan for each sport and a review of the plan annually.
- Requiring a day off per week during preseason and vacation periods.
- Prohibiting off-campus practice during vacation periods outside the championship season and unrelated to away-from-home competition.

DI Council approved time commitment legislation.

Key rule changes include:
- Exempting internship or study abroad experiences from five-year eligibility rules.
- Requiring NCAA Eligibility Center to provide prospective student-athletes with time commitment information.

Additional measure to be revisited in April:
- Defining “required athletically related activities”, including but not limited to:
  - Compliance meetings
  - Recruiting activities
  - Fundraising and community service events
  - Travel to and from away-from-home competition
DII members approved all 18 proposals.

New financial aid legislation (effective August 2018) will do the following:

- Establish a model where only institutional athletics aid is counted against individual and team equivalency limits
- Eliminate the ability for schools to issue term-by-term financial aid awards
- Allow schools to increase a student-athlete’s athletically related financial aid at any time, for any reason

Independent Medical Care

- Primary athletics health care providers (team physicians and athletic trainers) to have unchallengeable authority on medical management and return-to-play decisions
- Require schools to designate an athletics health care administrator to oversee the school’s administration and delivery of athletics health care and ensure best practices are followed

Nonchampionship Segment Activities

- Provide student-athletes additional time off during their nonchampionship segments
- Sets new limits on the amount of time college athletes can spend on countable athletically related activities
> **DIII adopted legislation:**

- Independent Medical Care (same as DII legislation)
- Amended existing criteria for outside financial aid awards that consider athletics to allow prospective student-athletes to accept awards that restrict their institutional choice as long as they are not effectively limited to a single institution
- Standardized annual contest and date of competition exemptions (in all sports except wrestling)
- Eliminated window of reconsideration
- Limited size of provisional membership program
- Deregulated camps and clinics (effective immediately)
- Eliminated requirement that mandatory day off for track and field, swimming and diving be held on the same day for all student-athletes (effective immediately)

> **DIII defeated legislation:**

- Graduate Transfer Proposal: Permit graduate students to participate in athletics at the DIII institution of their choice
NCAA Compliance Areas
NCAA Compliance Areas*

- Governance and organization (DI)
- Eligibility certification (including initial, continuing, and transfer)
- Academic performance program (DI)
- Financial aid administration
- Recruiting (off and on-campus)
- Camps and clinics
- Investigations and self-reporting
- Rules education
- Athletic equipment and apparel
- Complimentary admissions to athletic events

- Student-athlete vehicles (DI)
- Team travel
- Representatives of the University’s athletic interests
- Playing and practice seasons
- Student-athlete employment (DI)
- Amateurism
- Coaching staff limits and contracts (DI)
- Sports Sponsorship (DII)

*Areas where DI or DII is designated apply to that Division only. All other areas apply to DI and DII.
High risk NCAA compliance areas

- Appendix A includes an overview and audit objectives for each of the following high risk compliance areas:
  - Eligibility certification (including initial, continuing, and transfer)
  - Financial aid administration
  - Recruiting (off and on-campus)
  - Camps and clinics
  - Team travel

- Appendix A also includes several case studies from the news
Potential Internal Audit Focus Areas
Overview

Institutions negotiate contracts with media companies (e.g., Learfield, IMG) for the rights for radio and television broadcasts, internet, and e-commerce rights. These contracts can represent a significant portion of revenue for the institution.
Audit Objectives

To determine whether terms and conditions are being met and adhered to and to assess management's monitoring controls for the agreement (e.g., Athletics department employees are monitoring obligations)
A 48 page contract outlines the agreement. Initial term is seven years with a potential three year extension. Five pages deal with football, there is one paragraph for basketball, and one sentence for baseball. Contract places requirements for the institution to include specific language related to agreement in coaches contracts. The institution signs over rights to basically anything that stands still in the stadium, including temporary signage.
Case Study

> Financial Review
  > Guaranteed Royalty Fees
  > Performance Bonus Payments (Bowls, Tournament appearance)
  > Capital Stipend
  > Extension Bonus
  > ***Revenue Sharing***
Revenue Sharing

How does management get comfortable with the revenue sharing?

The difficulties fall in the ‘confidentiality’ agreement.

Contractor stated the ‘records’ are kept at the national office, the local group only has ‘intermittent’ information.

Contractor refused to provide a break down by vendor of what each paid for sponsorships. They agreed to provide a ‘comprehensive list’ without numbers.
Expense Review
Athletics departments have high levels of spending in high-risk areas, such as travel and entertainment. Expenses should be reviewed to ensure allowability per university policies, as well as to ensure expenses are compliant with NCAA rules and regulations.
Audit Objectives

To determine if expenses paid by the university are compliant with NCAA rules and regulations and to determine if coaches and Athletics department leaders are considering stewardship and university policies when making purchases.
Expense Review

Case Study

> Internal audit requested all transactions charged to Athletics department accounts, including all source types (e.g., reimbursements, purchase orders, purchase cards, cash advances)

> Internal audit performed data analysis to identify any potentially fraudulent transactions (e.g., even dollar amounts, unusual vendors or vendors which only one individual uses)
Internal audit then selected a sample of transactions to test to determine if proper support was provided, business purpose was explained, proper approvals were obtained, expense met university policies, and transactions were NCAA compliant.

Findings included jet ski purchases and suit rentals by Athletics department staff, as well as high-dollar hotel stays and meals that did not meet university policy.

We also found meals that included parents of student-athletes, which Compliance had not approved.
Academic Integrity Review
Academic Integrity Review

Overview

Based on recent cases in the news about student-athletes receiving special assistance on course selection and grade evaluation, performing an Academic Integrity Review could be beneficial to help avoid reputation (e.g., institutional scandal), accreditation (e.g., enrollment, tuition, rankings), and restricted revenue (financial aid, gifts, grants, scholarships) risks.
Assess your institution’s process for evaluating the quality of academic work and reporting with the goal of continuous improvement at the department and program level.
Academic Integrity Review

Process for evaluating quality:

- The following are the five areas that should be examined in an Academic Integrity Review to evaluate quality:
  - Assess the determination of desired learning outcomes
  - Examine the design of course content and department curriculum
  - Examine the design of teaching and learning
  - Assess the development of student assessments
  - Evaluate the implementation of quality education

- Each contains a set of questions that should be asked and answered

Potential anomalous traits

- Develop trait identifiers (i.e., “Red Flags”):
  - Instructors with a considerable number of classes
  - Prominent clustering of student-athletes
  - Abnormally high grades
  - Numerous grade changes
  - Unusually high numbers of DROP/ADDS
  - No classroom for meetings
  - No time scheduled for class meetings

- Apply “Red Flags” to data set
From 2010 to 2011, a prestigious public university investigation identified “serious anomalies” related to the course offerings and methods of instruction within the department of African and Afro-American Studies.

Two Senior Associate Deans within the College of Arts and Sciences, then conducted a comprehensive review of every course in the department for data representing four academic years (2007-2011) and five Summer sessions (2007-2011) - their report in May 2012 identified 54 courses with “academic anomalies”.

Academic anomalies discovered:

- Courses where students completed work and received grades without the course being supervised or graded by an approved instructor of record.
- Courses that were designed to include regular classroom time and instructor contact but were offered with limited to no classroom or other instructional contact.
- Irregularities in independent study courses, including unauthorized grade changes.
- Submitted student grade rolls or change of grade forms that the instructors of record do not remember having signed or approved.
**Full Findings:**

- Anomalies extended as far back as Fall 1997 and ended in Summer 2011
- 216 course sections were identified with proven or potential anomalies
- 454 suspected unauthorized grade changes were identified in these anomalous course sections
- Out of the numerous reviews conducted, evidence points to only two individuals – the department Chair and the department Manager – for being responsible for the academic misconduct
- No indication of academic misconduct or other anomalies has been found in any other department on campus
Title IX Review
Title IX Review – Focus on sexual assault

Overview

> Title IX is the federal law that prohibits discrimination on the basis of sex in schools that receive federal funding – including their athletics programs

> Violence Against Women Reauthorization Act (VAWA) of 2013: imposes new obligations on colleges and universities in their handling of and response to sexual offenses

  > Requires changes in Title IX policies and procedures to maintain compliance

> OCR issued a 46-page Question and Answer (Q&A) document to further clarify the legal requirements and guidance articulated in the 2011 Dear Colleague Letter (DCL)

  > Including examples of proactive efforts institutions can take to prevent sexual violence and remedies institutions may use to end such conduct, prevent its recurrence, and address its effects
Title IX Review – Focus on gender equality in athletics

Overview

> Title IX does not require quotas; it simply requires that schools allocate participation opportunities in a nondiscriminatory way. This requirement can be satisfied with any one of the following:
  > The percentages of male and female athletes are substantially proportionate to the percentages of male and female students enrolled; or
  > It has a history and continuing practice of expanding athletic opportunities for the underrepresented sex; or
  > Its athletics program fully and effectively accommodates the interests and abilities of the underrepresented sex

> Requires that scholarships be allocated in proportion to the number of female and male students participating in intercollegiate athletics.
  > OCR has made clear that schools will be found in compliance with this requirement if the percentage of total athletic scholarship dollars received for each sex is within one percent of their levels of participation.

> Requires equitable treatment of male and female teams
Focus on sexual assault:
> To determine whether the university is in full compliance with Title IX (focusing on civil rights and sexual assault internal controls)

Focus on gender equality in athletics:
> To determine whether changes need to be made for full compliance related to opportunities and equitable treatment
Academic Integrity Review

Violation
> Football player convicted of sexual assault (criminal case)
> Title IX Coordinator accused University officials of undermining her efforts to investigate sexual assault complaints and filed a complaint with OCR
> Law firm concluded that Baylor University “systemically failed victims of sexual assault, that administrators discouraged some complaints from reporting their assaults and that the leadership of the athletic program hindered enforcement of rules and policies, and created a cultural perception that football was above the rules”

Penalties
> Head Football Coach fired
> University Chancellor resigned
> Athletic Director placed on probation before resigning
Audit Resources
Audit resources

ACUA NCAA Division I and II Compliance Guides
(must be an ACUA member to access)

2016-2017 NCAA Division I Manual

NCAA Compliance Website
http://www.ncaa.org/compliance

NCAA Enforcement Website
http://www.ncaa.org/enforcement

College Athletic Business Management Association (CABMA)
http://www.nacda.com/cabma/nacda-cabma.html

Association of Governing Boards of Universities and Colleges (AGB)
http://www.agb.org
Questions?
Appendices

- Appendix A – High Risk NCAA Compliance Areas
- Appendix B – Risk Assessment Review
Appendix A – High Risk NCAA Compliance Areas
Overview

> An institution may not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution’s conference, and the institution.

> The NCAA has specific standards that incoming students must meet prior to practicing, competing, and receiving institutional financial aid, which include graduation from high school with a minimum GPA, a certain SAT or ACT entrance exam score, and admittance to the institution per the university’s normal admissions process.

Audit objective

> To establish whether the athletics department has policies and procedures in place to determine and monitor student-athlete initial-eligibility based on NCAA legislation.
Overview

> An institution may not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution’s conference, and the institution.

> After a student-athlete has completed his/her initial year in residence or used one season of competition, the athlete must meet the university’s general requirement of progress toward degree as interpreted by the institution and several additional requirements as detailed in NCAA legislation. These include completing a certain number of semester hours since the last season of competition and the previous semester; and declaring a major and maintaining a certain GPA.

Audit objective

> To establish whether the athletics department has policies and procedures in place to determine and monitor student-athlete continuing-eligibility based on NCAA legislation.
Overview

> An institution may not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution’s conference, and the institution.

> A student-athlete who transfers from one member institution to another may need to meet certain NCAA requirements. Generally, an athlete must sit out from competition at the next institution for one academic year unless the athlete meets certain transfer exception requirements.

Audit objective

> To establish whether the athletics department has policies and procedures in place to determine and monitor student-athlete initial-eligibility based on NCAA legislation.
Overview

> A student-athlete may receive financial aid from the university or from certain sources outside the institution.
> The cost of attendance for an athlete to attend the university is calculated by the institutional financial aid office per federal guidelines and generally includes tuition and fees, room and board, books and supplies, transportation, and several other expenses.
> A student-athlete’s maximum financial aid limit is the amount of the institution’s cost of attendance.

Audit objective

> To determine whether the institution has policies and procedures in place to administer and monitor the awarding of financial aid to student-athletes in accordance with NCAA legislation.

TIP
Financial aid should be administered through the university’s financial aid office (FAO). The athletics department should work with FAO to determine aid amount, but FAO administers process (e.g., award letters).
Case Study

Violation
> Division III university failed to adequately monitor its financial aid awards when it used a system that considered athletics participation when determining financial aid packages for student-athletes
> The college did not ensure that appropriate monitoring policies and procedures were in place to prevent athletics participation from influencing the financial aid packaging process

Penalties
> Three years of probation from March 22, 2016 – March 21, 2019
> A postseason ban for all teams that continue to have student-athletes who are receiving financial aid based on athletics participation, effective immediately
> A Level II review from the NCAA Division III Financial Aid Committee during the first and third years of probation. The school must follow any recommendations made by the reviewer.
> Monthly rules education sessions for the head baseball coach and his staff. During the sessions, the college must review the baseball program’s recruiting communications.
Off-campus recruiting

Overview

> NCAA recruiting legislation works to balance the interests of the prospect being recruited and the interests of the NCAA member who is attempting to gain the enrollment of the prospect of the institution

> In several sports, including football and basketball, the annual recruiting calendar is split into the following four recruiting periods:

  > Contact/recruiting period
  > Evaluation period

  > Quiet period
  > Dead period

Audit objective

> To determine whether the athletics department is maintaining proper documentation to establish compliance with NCAA legislation governing off-campus recruiting activities and whether the department is in compliance with these recruiting regulations
On-campus recruiting

Overview

> A university can finance only one official visit to its campus by a prospect. This visit cannot exceed 48 hours and the university may assign a student host to entertain the prospect, with a maximum of $40 per day to cover costs of entertaining the prospect, excluding the cost of meals and admission to campus events.

> A prospect may visit the university’s campus at the prospect’s expense on as many occasions as the university and the prospect wishes.

Audit objective

> To determine whether the athletics department is maintaining proper documentation to establish compliance with NCAA legislation governing on-campus recruiting activities and whether the department is in compliance with these recruiting regulations.

TIP
Athletic Business
Office staff should be trained on permissible expenses related to official visits, to provide further assistance in monitoring compliance.
Violations

- Football offensive line coach paid for $2,400 worth of training services and housing for two recruits over three weeks at a private training facility.
- He was suspended for the first two games of the season (in 2015), but the nature of the violations had not been revealed until later.

Penalties

- The offensive line coach was penalized with a two-year show-cause order (effective until September 2018).
  - This means that for UCLA or any other school to employ him, it must appear before the NCAA Committee on Infractions and show why his restrictions shouldn’t apply while offering a plan for overseeing his activities.
- The university reduced its spring evaluation days by 18, eliminated two official visits for recruits, and must pay a $5,000 fine.
Camps and clinics

Overview
> NCAA legislation allows student-athletes to be employed at institutional or private camps but must have similar responsibilities and pay to other employees
> Prospects are not to be employed at institutional camps but may attend camps and pay the going rate

Audit objective
> To determine whether the athletics department maintains an adequate system, including policies and procedures, to establish compliance with NCAA bylaws governing sports camps and clinics

TIP
Many athletic departments establish a documented Camps and Clinics manual, which includes specific instructions on how a camp should be established and administered.
Overview

> A university may provide actual and necessary travel expenses such as transportation, lodging, and meals to a student-athlete for participation in athletics competition, provided the student-athlete is representing the institution and is eligible for collegiate competition

Audit objective

> To determine whether university provided travel is in compliance with NCAA regulations
Appendix B – Risk Assessment Review
Risk Assessment Review
Since the suspension of the bylaw requiring the annual four year review we suggest continuing to audit the NCAA compliance program on a ‘risk basis’.

The key to this is remaining focused on the objective:

Has NCAA Athletics Compliance deployed a program to mitigate non-compliance in the areas of X, Y, Z?
Risk Assessment Review

Tools

> Risk Rating
> Violation Trending / Tracking
## Risk Assessment Review

### Risk Rating

<table>
<thead>
<tr>
<th>Monitoring Area</th>
<th>Significant Compliance Concerns Identified</th>
<th>OAS Risk Rating</th>
<th>Client Rating</th>
<th>OAS Inherent Risk</th>
<th>Client Inherent Risk</th>
<th>OAS Compliance on Governance over Area</th>
<th>Disposition</th>
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<tbody>
<tr>
<td>Rule Education</td>
<td>NCAA failure to provide enter compliance, thus no risk to compliance in this area. Education is a component of institutional control, which moves between clients to avoid more serious ramifications for your institution.</td>
<td>X L X</td>
<td>L X X</td>
<td>L X X</td>
<td>Because the Education module is aligned to the Ethics module, it is not addressed individually. The Education module is responsible for educating the student-athlete and the institution on the rules of the game and the ramifications of non-compliance.</td>
<td></td>
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</tr>
<tr>
<td>Financial Aid</td>
<td>Student-athlete receiving aid exceeds the cost of attendance increase due to family status, and an imponderable in the cost of attendance increases due to financial aid. Financial aid package causes not notifying the student-athlete of the increases in costs in a timely manner, leading to financial aid terminations and loss of potential financial aid.</td>
<td>H H H</td>
<td>H L H</td>
<td>H L H</td>
<td>Because of significant changes in financial aid at the Big 12 level in the past year, OAS is monitoring this area closely. However, OAS will continue to monitor this area as part of planning for the FY 19-20 Athletics Compliance work.</td>
<td></td>
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<tr>
<td>Student-Athlete Employment</td>
<td>Student-athlete compensation above the going rate for work not substantially performed.</td>
<td>H H H</td>
<td>H L H</td>
<td>H L H</td>
<td>Due to the large variation between OAS/ and Athletics Compliance's impact and likelihood of risk in this area, OAS is assessing this area.</td>
<td></td>
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</table>

### Notes:
- NCAA: National Collegiate Athletic Association
- OAS: Office of Athletics Compliance
- L: Low
- M: Medium
- H: High
- X: Not Applicable
- Disposition: Based on current data and analysis, the OAS is monitoring these areas closely for potential issues and will take appropriate actions as necessary.
## Risk Assessment Review

### Violation Trending/Tracking

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