

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

April 30, 2024

Dr. Tomás D. Morales, President
California State University, San Bernardino
5500 University Parkway
San Bernardino, CA 92407

Dear Dr. Morales:

**Subject: Audit Report 23-34, Athletics Fiscal Administration,
California State University, San Bernardino**

We have completed an audit of *Athletics Fiscal Administration* as part of our 2023-2024 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor
Yamilette Rodriguez, Chair, Committee on Audit
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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ATHLETICS FISCAL ADMINISTRATION

**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

**AUDIT REPORT 23-34
APRIL 30, 2024**

COLLEGE OF EDUCATION

EXECUTIVE SUMMARY

AUDIT OBJECTIVES AND BACKGROUND

In accordance with the fiscal year (FY) 2022/23 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an audit of athletics fiscal administration at California State University, San Bernardino (CSUSB).

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to athletics fiscal administration and to ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus and auxiliary procedures.

Athletic funds at CSUSB are held in campus and auxiliary organization accounts. Funds held in campus accounts must follow systemwide financial policies; funds held in auxiliary organization accounts primarily follow requirements set forth in the *Compilation of Policies and Procedures for CSU Auxiliary Organizations* and Title 5 of the California Code of Regulations.

Due to recent turnover, most of the staff in athletics administration at CSUSB is new. During the audit period, the department had multiple vacancies and turnover in key positions, such as the athletic director (AD), deputy AD, and budget analyst.

OVERALL CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for athletics fiscal administration as of December 8, 2023, were unlikely to provide reasonable assurance that risks were being managed and objectives were met.

AUDIT SCOPE AND RESULTS

In general, we found that compliance with California State University (CSU) policies and procedures was inadequate. Our review noted that improvement was needed in key areas such as the budget process, equipment and asset management, athletics expenditures (including contract and procurement processes), and team travel. For example, we found that detailed budgets had not been prepared since 2018, and documentation to support a number of expenditures, including travel claims, credit card reconciliations, and current executed contracts was not available for review. Staff shortages and turnover likely contributed to lack of documentation and oversight.

A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
General Control Environment	Oversight of athletics program, athletics budget, and relationships with auxiliary organizations	<i>Observation noted in athletics budgeting</i>
Athletics Program Revenue	Establishment of cash collection points, contract revenue, cash-handling procedures and ticketing operations, sports camps and clinics, fundraising, and trade-outs	<i>Observations noted in safeguarding cash and establishing cash collection points</i>

Area	Processes Reviewed	Audit Assessment
Athletics Personnel Compensation and Benefits	Appointment of athletic director, Conflict of Interest and Outside Employment Disclosure filing, endorsements, and special consultants	<i>Effective – no reportable observations noted</i>
Athletics Expenditures and Contracts	Stateside and auxiliary program contracts, expenditures, team travel, and travel advances	<i>Observations noted in expenditures, team travel, and travel advances</i>
Athletics Equipment and Gear	Processes for purchasing, tracking, performing inventory, and disposing of athletics equipment, apparel, and gear	<i>Observations noted in the areas of athletics apparel and equipment and capital asset management</i>

The audit focused on procedures in effect from July 1, 2021, through December 8, 2023. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of athletics fiscal administration were in place and did not examine all aspects of the program.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. ATHLETICS BUDGET

OBSERVATION

The budget process for the athletics department needed improvement.

We found that there were no comprehensive policies and procedures for the athletics budget process. In addition, since the 2018 departure of the previous budget analyst, detailed budgets had not been prepared for review and approval. Athletics spent a total of approximately \$6.7 million in fiscal year (FY) 2021/22 and \$6.9 million in FY 2022/23. Although a draft budget was provided for FY 2023/24, management did not provide supporting documentation to substantiate the numbers included in the draft.

Clear documentation of the athletics department’s budget, including appropriate reviews and approvals, helps to ensure proper oversight and appropriate use of financial resources and enhance financial planning processes.

RECOMMENDATION

We recommend that the campus:

- a. Develop and implement a comprehensive budget process for the athletics department, including preparation of detailed budgets, a review and approval process, and periodic monitoring to identify variances.
- b. Provide training on the new budget process to responsible parties, including budget administrators and athletic department heads and coaches responsible for individual budgets.

MANAGEMENT RESPONSE
<p>We concur.</p> <ul style="list-style-type: none">a. Our campus will develop and implement a comprehensive budget process for the athletics department, including preparation of detailed budgets, a review and approval process, and periodic monitoring to identify variances.b. Our campus will provide training on the new budget process to responsible parties, including budget administrators and athletic department heads and coaches responsible for individual budgets. <p>Estimated completion date: September 30, 2024</p>

2. TEAM TRAVEL AND TRAVEL ADVANCES

OBSERVATION

Administration of athletics travel expenditures needed significant improvement.

We found that policies and procedures for athletics travel were inadequate. Specifically, the athletics department did not have policies or procedures in place specific to athletics travel and did not always follow campus or systemwide policies and guidelines for travel. Through review of supporting documentation for nine team trips and one recruitment trip, we found that controls were insufficient to ensure that expenses were appropriately documented and aligned with CSU systemwide policy, cash advances were appropriately reconciled and unused funds were returned, and documented review and approval of expenses were obtained and maintained.

Specifically, we found that:

- For three trips, supporting documentation for expenses was not provided. Of the three, one had a travel expense claim without supporting receipts in the amount of \$14,513.17, including a cash advance of \$2,300. For another trip, we received documentation only for travel authorization, which indicated a travel advance of \$30,000; however, no expense claim or supporting receipts were provided, and we could not determine whether any unused portion of the travel advances were returned. For the last trip, which was a recruitment trip, no supporting documentation was provided.
- In two instances, advanced travel authorization was not provided for the trip, as required by campus procedures.
- In two instances, there was no evidence showing that the unused portion of \$1,872 and \$6,700 in travel advances was repaid.

In addition, travel charges did not always appear to be ordinary, reasonable, or necessary business expenses. Specifically, we noted instances of hotel phone charges, alcohol, airplane Wi-Fi service, and an incorrect claim for hotel reimbursement amounting to \$407.28 over the actual expense incurred.

Compliance with CSU system and campus travel guidelines reduces the risk of unauthorized, unnecessary, or non-business expenditures.

RECOMMENDATION

We recommend that the campus:

- a. Develop athletics-specific team travel policies and procedures that address, but are not limited to, the situations and issues noted above.
- b. Communicate and provide training on travel policies and procedures to athletics personnel.
- c. Investigate the instances noted above where cash advances were not fully accounted for and, if necessary, obtain employee reimbursement of funds.

MANAGEMENT RESPONSE
We concur. a. Our campus will develop athletics-specific team travel policies and procedures that address, but are not limited to, the situations and issues noted above. b. Our campus will communicate and provide training on travel policies and procedures to athletics personnel.

Estimated completion date: September 30, 2024

c. Our campus has investigated the instances noted above and we found that all cash advances were fully accounted for; therefore, no employee reimbursements are necessary.

3. ATHLETICS EXPENDITURES

OBSERVATION

Management of athletics expenditures needed improvement.

Athletics funds at CSUSB are held in campus and auxiliary organization accounts. Funds held in campus and auxiliary accounts are managed by the campus accounting department, and the athletics department is required to adhere to campus and auxiliary policies and procedures when using those funds.

We reviewed documentation for 44 expenditures: 30 stateside expenditures held in campus accounts and 14 philanthropic expenditures held in auxiliary accounts. For expenditures paid with state funds, we found that:

- In 12 instances, purchases were made outside of the procurement process, resulting in unauthorized purchase orders. In addition, an Unauthorized Purchase Explanation/Certification (UPEC) form, required by campus procurement policies and procedures, was not completed in any of these instances.
- In two instances, the campus did not provide reconciliation packets, including a credit card statement and supporting receipts, for purchases made on a campus-issued procurement card totaling \$5,856.36.
- In 11 instances, expenditures appeared to have been misclassified. Specifically, five expenditures were charged to hospitality but were meals and food for student-athletes. Four equipment/asset purchases were charged to supplies and services instead of equipment, and one MacBook was charged to supplies and services instead of infotech-hardware.

For expenditures charged to philanthropic funds, we found that in three instances, the campus could not provide documentation to support the selected expenditures totaling \$4,444.83. This included two travel-related expenditures and one instance where the campus could not provide a reconciliation packet with itemized receipts for expenditures charged on an auxiliary-issued credit card.

Proper administration, approval, and documentation of expenses help to ensure that all expenditures are appropriate and allowable.

RECOMMENDATION

We recommend that the campus:

- a. Evaluate the current expenditure review and approval process and update as necessary to ensure expenditures are properly reviewed and approved before payments are processed, and adequate supporting documentation is obtained and maintained centrally.
- b. Remind key accounting personnel involved in processing expenditures of campus and auxiliary

expenditure policies and procedures, including supporting documentation and approval requirements.

- c. Provide training to athletic department personnel on campus expenditure requirements to address the issues noted above.

MANAGEMENT RESPONSE

We concur.

- a. Our campus will evaluate the current expenditure review and approval process and update it as necessary to ensure expenditures are properly reviewed and approved before payments are processed and adequate supporting documentation is obtained and maintained centrally.
- b. Our campus will remind key accounting personnel involved in processing expenditures of campus and auxiliary expenditure policies and procedures, including supporting documentation and approval requirements.
- c. Our campus will provide training to athletic department personnel on campus expenditure requirements to address the issues noted above.

Estimated completion date: September 30, 2024

4. CONTRACTS

OBSERVATION

Contracting practices needed improvement.

Specifically, in our review of documentation for 30 stateside expenditures, although the expenditures appeared to be appropriate, we found that in two instances, the campus did not execute contracts with vendors for services such as meal preparation for student-athletes during campus closure and bus charter for team travel.

In addition, we reviewed 10 agreements and found that:

- In one instance, the campus did not have a current agreement with the city of San Bernardino for the use of Fiscalini Field and could not provide the original agreement. According to management, the original lease included an option of three one-year renewals upon mutual consent. The campus exercised the first renewal option on December 21, 2016; however, the renewal would have expired and there was no related documentation provided. Subsequent to audit fieldwork, the campus executed a contract for the use of Fiscalini Field on December 12, 2023.
- In one instance, a memorandum of understanding (MOU) with a local high school was executed late in January 2020 with an effective date in October 2019. The MOU had expired in June 2021, and a new agreement was not executed. Furthermore, there was no evidence that campus risk management was involved in reviewing the MOU, which stated that the high school track team with youth participants under the age of 18 would meet on the CSUSB campus.

Proper execution of contracts and agreements decreases the risk of noncompliance with state regulations and CSU policies and decreases the risk of misunderstandings and miscommunication

regarding rights and responsibilities.

RECOMMENDATION

We recommend that the campus:

- a. Evaluate the current processes for procurement and contracts, as well as communication between the athletics department and campus procurement, and implement changes as necessary to ensure that contracts are executed in a timely manner when required.
- b. Provide training to athletic department personnel on campus procurement requirements to ensure that the campus procedures are followed.

MANAGEMENT RESPONSE

We concur.

- a. Our campus will evaluate the current processes for procurement and contracts, as well as communication between the athletics department and campus procurement, and implement changes as necessary to ensure that contracts are executed in a timely manner when required.
- b. Our campus will provide training to athletic department personnel on campus procurement requirements to ensure that the campus procedures are followed.

Estimated completion date: September 30, 2024

5. ATHLETIC EQUIPMENT, APPAREL, AND GEAR

OBSERVATION

Administration of athletic equipment, apparel, and gear needed improvement to ensure proper recording, tracking, and disposal.

The athletics department is responsible for managing non-capitalized athletic equipment. We found that the department did not have documented procedures for the recording, tracking, and disposal of athletic equipment. We also found that the department did not always record and track athletic equipment and did not perform annual physical inventories of these items. Due to staff turnover, the last physical inventory of marketing apparel was performed in FY 2021/22. We were unable to determine the most recent physical inventory for all other equipment.

Proper administration of athletic equipment, apparel, and gear enhances accountability and decreases the risk that items may be lost or stolen.

RECOMMENDATION

We recommend that the campus:

- a. Establish policies and procedures relating to athletics equipment, apparel, and gear to address the issues noted above, including, but not limited to, roles and responsibilities, tracking, recording and disposal of equipment, and annual physical inventory.

- b. Communicate the updated procedures to key personnel.

MANAGEMENT RESPONSE
<p>We concur.</p> <ul style="list-style-type: none">a. Our campus will establish policies and procedures relating to athletics equipment, apparel, and gear to address the issues noted above, including, but not limited to, roles and responsibilities, tracking, recording and disposal of equipment, and annual physical inventory.b. Our campus will communicate the updated procedures to key personnel. <p>Estimated completion date: September 30, 2024</p>

6. ATHLETICS PROPERTY AND EQUIPMENT

OBSERVATION

Administration of athletics capitalized assets and sensitive equipment needed improvement.

Management of athletics capitalized assets and sensitive equipment is primarily the responsibility of the campus property office, and the campus policy requires a physical inventory to be performed at least every three years. According to campus management, the most recent physical inventory was performed in 2019, more than three years ago. The campus process also requires that each department assign a property custodian to act as the central point of contact for asset administration.

We reviewed 15 capitalized assets and sensitive equipment items and found that:

- In five instances for a total acquisition value of \$121,396, the asset was not properly recorded or tracked in the campus asset management system. We were able to verify the existence of three of the items; however, the campus could not locate the other two, including a laptop that was not retrieved from an employee upon his departure from the campus.
- In three instances, we located the assets, but two of them were not tagged, and the third showed a tag number that did not match with the tag number listed in the property records.

Proper administration of property and equipment decreases the risk that assets may be lost, stolen, or misrepresented in financial statements.

RECOMMENDATION

We recommend that the campus:

- a. Provide training to athletics department personnel on campus policies and procedures relating to asset tagging, physical inventory, and proper disposal of assets.
- b. Perform an inventory of athletics capital assets and sensitive equipment, and update inventory records as necessary.
- c. Properly tag and record items as noted above.

MANAGEMENT RESPONSE
<p>We concur.</p> <ul style="list-style-type: none">a. Our campus will provide training to athletics department personnel on campus policies and procedures relating to asset tagging, physical inventory, and proper disposal of assets.b. Our campus will perform an inventory of athletics capital assets and sensitive equipment and update inventory records as necessary.c. Our campus will tag and record items as noted above. <p>Estimated completion date: September 30, 2024</p>

7. SPORTS CAMPS

OBSERVATION

Administration of sports camps needed improvement.

The campus held three sports camps during the audit period, and we found that documentation for all three camps was inadequate.

Specifically, for one camp held in June 2022, the campus could not provide any documentation to show that the camp was approved or registered through campus risk management. In addition, there was no documentation of revenue collection or deposit for the camp. Also, two camps held in summer 2023 were registered through risk management, but athletics department approvals were not documented, and there was no evidence that revenues collected were reconciled to camp attendance or participants.

Proper administration of sports camps helps to ensure that unauthorized activities do not occur on campus and that authorized activities properly mitigate their related risks.

RECOMMENDATION

We recommend that the campus develop and implement policies and procedures for the oversight and administration of sports camps, including appropriate approvals, program reconciliations, and document retention protocols.

MANAGEMENT RESPONSE
<p>We concur. Our campus will develop and implement policies and procedures for the oversight and administration of sports camps, including appropriate approvals, program reconciliations, and document retention protocols.</p> <p>Estimated completion date: September 30, 2024</p>

8. CASH HANDLING

OBSERVATION

Administration of cash-handling processes needed improvement.

Specifically, campus policy requires all departments collecting payments for goods or services to be delegated authority to do so by the director of accounting. Such delegation is to be documented in a Request to Establish/Maintain Cashiering Collection Point form and filed each new fiscal year beginning July 1. However, the campus did not have forms on file for athletics during the audit period.

Additionally, although the campus maintained a list of authorized employees with the combination to the safe that holds the athletics change fund and monies for deposit, there was no documentation to show the last time the safe combination was changed. Per management, there had been turnover of positions with access to the safe during the audit period.

Appropriate administration of cash handling and compliance with cash-handling policies and procedures helps to reduce exposure to risk related to loss, theft, or misappropriation of funds.

RECOMMENDATION

We recommend that the campus:

- a. Work with the athletics department to ensure a Request to Establish/Maintain Cashiering Collection Point form is updated and filed each year.
- b. Update the athletics safe combination and establish a process to ensure that going forward, the safe combination will be changed when employees with access to the safe separate from the campus or on a three-year cycle, and documentation of the updates is maintained.

MANAGEMENT RESPONSE

We concur.

- a. Our campus worked with the athletics department to update and file the Request to Establish/Maintain Cashiering Collection Point form. The form was approved on February 22, 2024. Our campus will continue to work with the athletics department to ensure that the form is updated and filed annually.
- b. Our campus updated the athletics safe combination on February 20, 2024, and will establish a process to ensure that going forward, the safe combination will be changed periodically or when employees with access to the safe separate from the campus, and the documentation of updates is maintained.

Estimated completion date: September 30, 2024

GENERAL INFORMATION

ADDITIONAL BACKGROUND

The CSU is the nation’s largest four-year public university system, with 23 campuses and 314 intercollegiate athletics teams. Administration and operation of athletics programs occur within the framework of regulations and rules imposed by national governing associations and the athletics conferences in which the players and teams compete. The United States Department of Education collects data on athletics based on the federal Equity in Athletics Disclosure Act (EADA). CSU campuses are subject to EADA because they accept federal financial aid funds.

CSUSB intercollegiate athletics teams, known as the Coyotes, compete at the NCAA Division II level. The campus supports intercollegiate teams in four men’s sports and six women’s sports as follows:

SPORT	MEN’S	WOMEN’S
Baseball	√	
Basketball	√	√
Cross Country		√
Golf	√	
Soccer	√	√
Softball		√
Track and Field (Outdoor)		√
Volleyball		√

In FY 2021/22, 212 CSUSB student-athletes (95 men and 117 women) participated in the 10 intercollegiate athletics programs, per the annual EADA report.

On-campus athletic facilities with spectator seating capacities at CSUSB include the Coussoulis Arena and the Den. Both are multipurpose indoor sports arenas that hold basketball and volleyball courts, a softball park, a cross country course, and a soccer field. Additional facilities off campus include a city baseball field.

At CSUSB, the athletics department is administered by an AD who reports to the vice president for student affairs. One associate AD of administration oversees various functions, including sports performance, compliance, and student-athlete academic success. A senior associate AD for philanthropy reports directly to the associate vice president for advancement in the office of philanthropic giving, with a dotted reporting line to the AD. The department also has a budget analyst and game operations facilities coordinator.

The department works closely with other campus departments, such as accounting services, student financial services, and procurement and contracts (purchasing). At CSUSB, accounting services processes expenditures for both stateside funds and philanthropic funds, and revenue is typically processed and deposited through student financial services. Purchasing is delegated authority by the campus president to sign and execute contracts with vendors and is responsible for working with campus departments to process purchase orders.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was

conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Government Codes §13402 and §13403
- *CSU Administration of University Property Policy*
- *CSU Contracts and Procurement Policy*
- *CSU Travel and Business Expense Reimbursement Policy*
- *CSU Delegation of Fiscal Authority and Responsibility*
- Coded memorandum HR 2016-06, *Management Personnel Plan (MPP) Outside Employment Disclosure*
- HR 2017-17, *Background Check Policy*
- HR 2019-02, *MPP Athletics Personnel Definite-Term Appointments*
- *CSU Intercollegiate Athletics Administration*
- *CSU Athletics Trade Usage*
- *CSU Fringe Benefits Management*
- *CSU Athletic Group Travel*
- *CSU Inventory Control of Athletic Equipment, Apparel and Gear*
- *CSU Disbursements-General*
- *CSU Accounts Receivable Management*
- *CSU Campus Administration of Systemwide Cash Management Policy*
- *CSU Sensitive Positions and Cash Handling*
- *CSU Petty Cash and Change Funds*
- *CSU Security of Cash and Cash Equivalents*
- *CSU Fundraising Events*
- *CSUSB Cash Handling Procedures Revised 04-13-21*
- *CSUSB Procurement Requester Checklist*
- *CSUSB Travel Advance Policy*
- *CSUSB Procurement Card Handbook*

AUDIT TEAM

Senior Audit Manager: Christina Chen

Senior Auditor: Brenda Auner

Internal Auditor: Ron Best