# UNIVERSITY OF HOUSTON SYSTEM

# INTERNAL AUDIT REPORT

# UNIVERSITY OF HOUSTON

# ATHLETICS
# NCAA RULES-COMPLIANCE

REPORT NO. AR2018-22

UNIVERSITY OF HOUSTON SYSTEM
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**MEMORANDUM**

**TO:** Mr. Peter K. Taaffe
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

**FROM:** Don F. Guyton
Chief Audit Executive

**DATE:** August 8, 2018

**SUBJ:** Internal Audit Report – UH Athletics, NCAA Rules-Compliance

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston and University of Houston System. This report is summarized as follows:

**Executive Summary:**

As provided in the Board approved Annual Audit Plan, Internal Auditing reviews one major compliance area together with several minor compliance areas. For this engagement, the major area we reviewed was financial aid administration. We used the standard audit program developed by the Association of College and University Auditors in cooperation with the NCAA to perform this audit. In our opinion, the Athletics Department rules-compliance program helps ensure compliance with NCAA Bylaws and university policies. Although we noted no matters that we considered to be significant engagement observations, we did note opportunities for improvement in the following areas: student-athlete vehicles, representatives of the university's athletics interests, and coaching staff limits and contracts. Management agreed to develop procedures in these areas.

This audit report is scheduled to be included in the agenda materials for the August 23, 2018, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

**UNIVERSITY OF HOUSTON SYSTEM**
**INTERNAL AUDITING DEPARTMENT**

# UNIVERSITY OF HOUSTON
# DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
# NCAA RULES-COMPLIANCE

## BACKGROUND:

The NCAA Operating Bylaw 22.2.1.2.e. requires each Division I member to demonstrate that its rules-compliance program is the subject of evaluation by an authority outside of the Department of Intercollegiate Athletics at least once every four years. This Bylaw was rescinded as of February 2013. However, the Department of Intercollegiate Athletics continues to follow the remaining NCAA Bylaws as part of their compliance operations.

For this engagement, we evaluated the Department of Intercollegiate Athletics rules-compliance program for the following areas: financial aid administration, governance and organization, complimentary admissions, student-athlete vehicles, representatives of the university's athletics interests, student-athlete employment, and coaching staff limits and contracts. These areas were reviewed using the standard audit program developed by the Association of College and University Auditors in cooperation with the NCAA.

## OBJECTIVE:

The objective of our review was to determine whether the Athletics Department was in compliance with NCAA Bylaws and university policies.

## SCOPE OF WORK:

We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various NCAA Bylaws and university policies for each compliance area.

## CONCLUSION:

In our opinion, the Athletics Department rules-compliance program helps ensure compliance with NCAA Bylaws and university policies. Although we noted no matters that we considered to be significant engagement observations, we did note opportunities for improvement in the following areas: student-athlete vehicles, representatives of the university's athletics interests, and coaching staff limits and contracts. Management agreed to develop procedures in these areas.

Appendix A lists the observations noted during the audit, recommendations that will enhance the control environment in these areas, and management's responses.

Don F. Guyton
Chief Audit Executive
June 21, 2018

## APPENDIX A

## OBSERVATIONS

### Student-Athlete Vehicles

- To help ensure that student-athletes are not provided with prohibited vehicle benefits (NCAA Bylaw 16.11.2.2, Other Prohibited Benefits), the Athletics Compliance Office requires student-athletes to submit an Automobile/Motorcycle Registration form at the beginning of each academic year disclosing information related to vehicles they use or possess, regardless of ownership. The Athletics Compliance Office reviews the forms for completeness and questionable items, but does not compare the information on the forms to information maintained by the Parking and Transportation Services Department.

  During our review of student-athlete Automobile/Motorcycle Registration records and corresponding information maintained by the Parking and Transportation Services Department for student-athletes in 4 sports (182 student-athletes), we noted the following:
  - 95 student-athletes submitted Automobile/Motorcycle Registration forms to the Athletics Compliance Office that indicated they use or possess a vehicle. However, information contained on the forms for 12 of these student-athletes did not agree with information maintained by the Parking and Transportation Services Department. In addition, 14 of these student-athletes did not purchase a parking permit.
  - 87 student-athletes submitted Automobile/Motorcycle Registration forms to the Athletics Compliance Office that indicated they did not use or possess a vehicle. However, 9 of these student-athletes purchased parking permits and 32 of these student-athletes received at least one parking citation on campus.

### Representatives of the University's Athletics Interests

- The Athletics Development Office emails NCAA rules education information to representatives of the university's athletics interests (boosters) throughout the year to help ensure boosters are aware of NCAA Bylaws. However, according to the Athletics Development Office, the last time NCAA rules information was emailed to boosters was prior to June 2017.

### Coaching Staff Limits and Contracts

- Prior to the 2016-2017 academic year, the NCAA required that all Athletics Department staff members provide a written detailed account annually to the president or chancellor for all athletically related income and benefits from sources outside the institution. This requirement was rescinded, and as a result, Athletics Department staff are no longer required to provide a written detailed account of income and benefits from sources outside

the institution. However, the NCAA Bylaws have requirements/restrictions related to income in addition to institutional salary related to outside employment, supplemental pay, bonuses, endorsements, etc. (NCAA Bylaw 11.3.2, Income in Addition to Institutional Salary). Furthermore, the coach's contracts we reviewed require coaches to provide the Athletics Director with an annual written report of all athletically-related income derived from sources other than provided by their agreement.

**RECOMMENDATIONS:**

To enhance the control environment, the Athletics Compliance Office should:

1. Develop written procedures to help ensure the accuracy and completeness of student-athlete vehicle information by comparing the information submitted to the Athletics Compliance Office to information maintained by the Parking and Transportation Services Department.

2. Develop written procedures to help ensure the NCAA rules education information is emailed to boosters in a timely manner.

3. Develop written procedures to help ensure that all Athletics Department staff are in compliance with NCAA Bylaw 11.3.2, Income in Addition to Institutional Salary, including coaches submitting a written report of income derived from sources other than provided by their agreement to the Athletics Director.

**MANAGEMENT'S RESPONSE:**

The Compliance Office will update the policies and procedures for student-athlete vehicles to include a process of comparing information submitted to the Athletics Compliance Office to information maintained by the Parking and Transportation Services Department. Estimated completion date is September 28, 2018.

The Compliance Office will update the rules education policies and procedures to include more detailed information about the process by which the Athletics Development Office will be required to send out rules education to boosters. Estimated completion date is September 28, 2018.

The Compliance Office will develop policies and procedures regarding annual reporting of outside income by coaches and staff. Estimated completion date is October 31, 2018.

**University of Houston System**
**Internal Auditing Department**

**UH Athletics, NCAA Rules-Compliance - AR2018-22**
**Action Plan**

| Est. Compl. Date | Responsibility for Action Name/Title | Action To Be Taken |
|---|---|---|
| **Risk Level: High Medium Low** | | |
| September 28, 2018 | Lauren DuBois<br>Senior Associate Athletics Director for Academics, Compliance, and Financial Aid<br>Athletics Department | Update the policies and procedures for student-athlete vehicles to include a process of comparing information submitted to the Athletics Compliance Office to information maintained by the Parking and Transportation Services Department. |
| September 28, 2018 | Lauren DuBois<br>Senior Associate Athletics Director for Academics, Compliance, and Financial Aid<br>Athletics Department | Update the rules education policies and procedures to include more detailed information about the process by which the Athletics Development Office will be required to send out rules education to boosters. |
| October 31, 2018 | Lauren DuBois<br>Senior Associate Athletics Director for Academics, Compliance, and Financial Aid<br>Athletics Department | Develop policies and procedures regarding annual reporting of outside income by coaches and staff. |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**