# UNIVERSITY OF HOUSTON SYSTEM

# INTERNAL AUDIT REPORT

# UNIVERSITY OF HOUSTON

# ATHLETICS
# NCAA RULES-COMPLIANCE

REPORT NO. AR2019-18

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
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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:** April 25, 2019

**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 recruiting. 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 risk exposures and control issues, we did note opportunities for improvement in the following areas: camps and clinics and athletic apparel and equipment. Management agreed to update procedures and maintain accurate inventory records.

This audit report is scheduled to be included in the agenda materials for the May 16, 2019, 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 This Bylaw was rescinded as of February 2013.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: recruiting off-campus, recruiting on-campus, camps and clinics, investigations and self-reporting rules violations, rules education, athletic apparel and equipment, and head coach responsibility. 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 risk exposures and control issues, we did note opportunities for improvement in the following areas: camps and clinics and athletic apparel and equipment. Management agreed to update procedures and maintain accurate inventory records.

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
March 27, 2019

## APPENDIX A

## OBSERVATIONS

### Camps and Clinics

- The Office of Athletics Compliance Policies and Procedures require the Business Office to perform a post-camp reconciliation to help ensure camp and clinic revenues and expenditures are accounted for properly. The Business Office ensures on-line payments are recorded in the university's financial system; however, post-camp reconciliations of all revenues and expenditures were not performed.

### Athletic Apparel and Equipment

- The Office of Athletics Compliance Policies and Procedures require the Equipment Operations department to maintain a current and accurate inventory of all athletic apparel and equipment through SportSoft or other similar system. However, the Equipment Operations department does not maintain an inventory of apparel and equipment in SportSoft. Records of certain apparel issued to student-athletes participating in football were maintained in SportSoft, but not for other sports. There were no records of jerseys, helmets, shoulder pads, and other equipment.

- Athletic apparel and equipment policies and procedures do not address the receipt (whether purchased or donated), distribution, return and disposal of student-athletes' equipment and apparel.

### RECOMMENDATIONS:

To enhance the control environment, Athletics management should:

1. Update written procedures to help ensure that post-camp reconciliations are completed for all revenues and expenditures for each camp and clinic.

2. Maintain a current and accurate inventory of all athletic apparel and equipment in SportSoft or other similar system, for each sport.

3. Update the athletic apparel and equipment procedures to address procedures to control and monitor the receipt (whether purchased or donated), distribution, return and disposal of student-athletes' apparel and equipment.

**MANAGEMENT'S RESPONSE:**

Currently, there are University level discussions regarding the proper accounting for camps and clinics. Once the proper accounting is determined, the Athletics Business Office will work to update written procedures for post-camp reconciliation of all revenues and expenditures for each camp and clinic, as appropriate. Estimated completion date is April 30, 2020.

The Athletics Equipment staff will maintain a current and accurate inventory of athletic apparel and equipment in SportSoft or other similar system, for each sport. Estimated completion date is December 31, 2019.

The Athletics Equipment staff will work with the Athletics Business Office staff to update athletic apparel and equipment policies and procedures to include procedures relating to the receipt, distribution, return and disposal of student-athletes' apparel and equipment. Estimated completion date is December 31, 2019.

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

**UH Athletics, NCAA Rules-Compliance - AR2019-18**
**Action Plan**

| Est. Compl. Date | Responsibility for Action Name/Title | Action To Be Taken |
|---|---|---|
| **Risk Level:** | **High** **Medium** **Low** | |
| April 30, 2020 | Monty Porter<br>Senior Associate Athletics Director for Finance and Administration<br>Athletics Department | Update written procedures to help ensure that post-camp reconciliations are completed for all revenues and expenditures for each camp and clinic. |
| December 31, 2019 | Monty Porter<br>Senior Associate Athletics Director for Finance and Administration<br>Athletics Department | Maintain a current and accurate inventory of all athletic apparel and equipment in SportSoft or other similar system, for each sport. |
| December 31, 2019 | Monty Porter<br>Senior Associate Athletics Director for Finance and Administration<br>Athletics Department | Update the athletic apparel and equipment procedures to address procedures to control and monitor the receipt (whether purchased or donated), distribution, return and disposal of student-athletes' apparel and equipment. |

**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.**