PROJECT SUMMARY

Overview

Overall, the controls established over Athletic Department operations at Texas A&M University – Kingsville are effective in providing reasonable assurance resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules except in the area of cash receipts. Significant improvements are needed in the Department’s cash receipting procedures. Opportunities for improvement were also identified in the areas of sports camp administration and the affiliation agreement with the Javelina Club.

The Athletic Department at Texas A&M University - Kingsville currently has six men’s and six women’s sports programs. For fiscal year 2009, the Athletic Department had revenues of $4.23 million and expenditures of $4.06 million.

Summary of Significant Results

Athletic Department Cash Receipts

The Athletic Department’s controls over cash receipts are weak. Football game day cash receipting procedures were not consistently followed resulting in incomplete information being recorded on the University’s cashier ticket balance sheets, making an accurate reconciliation of these revenues difficult. High exception rates were noted in our testing of cash receipts. In addition, documentation was lacking for cashier receipt of starting cash, which added to the difficulty to accurately reconcile these revenues. The University does not have the ability to accept credit card transactions onsite at football games, increasing the amount of cash that needs to be processed. This increases the risk associated with the large volumes of cash, on average $15,000, taken in at each home football game. Weak controls over cash receipting increases the risk of misappropriation of funds.
Summary of Management's Response

Texas A&M University-Kingsville and the Athletic Department are committed to the most efficient and effective use of technology and systems in cash, cash receipting, sports camps and ticket reconciliation, and financial administration. The University and the Athletic Department are employing assertive process steps to become more efficient in these areas.

In an effort to ensure that all Athletic personnel understand University and Department policies and procedures, monthly Athletic Department meetings will continue to reinforce procurement card purchases, cash receipts, travel and purchase vouchers, and sports camp administration. Implemented - September 2010.

The Athletic Department standard operating procedures manual was updated April 2010 and includes recent post-audit updates. The standard operating procedure manual will be updated as needed. Implemented - November 2010.

Regular meetings between Athletic administration and the Business Office staff promote consistent communication to ensure that University resources are used efficiently and effectively and in compliance with existing policies, guidelines, and regulations. Implemented - September 2010.

Scope

The review of the Athletic Department focused on the areas of procurement card purchases, cash receipts, travel and purchase vouchers, sports camp administration, sources of funding, and relationships with affiliation fund raising organizations. Transactions and activities related to these areas were reviewed primarily for the period from September 2009 through June 2010. The audit fieldwork was primarily conducted in June 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Athletic Department Cash Receipts

Observation

Cash receipting procedures are weak. For a sample of Athletic Department cash receipts tested, we noted the following:

- Thirty-eight percent (three of eight deposits) contained individual cashier balance sheets which did not record net sales or the net sales did not agree to our recalculation.

- Twenty-five percent (two of eight deposits) contained individual cashier balance sheets for which we were unable to recalculate and agree gross cash remitted.

- Sixty-three percent (five of eight deposits) contained individual cashier balance sheets for which we were unable to agree net sales to net cash remitted.

- Seventy-one percent (five of seven deposits) contained individual cashier balance sheets which lacked proper documentation of cashier receipt of starting cash or verification of net sales and net cash.

- Fifty percent (one of two deposits) contained a sundry receipt which did not include enough information to determine the chain of custody for miscellaneous revenue.

- One hundred percent (six of six deposits) lacked documentation to show that the deposit was verified by the administrative assistant.

System Regulation 21.01.02 requires a chain of custody to be established when funds are transferred between individuals. Departmental procedures require the departmental administrative assistant to verify game cash receipt information is correct and recorded accurately.

Also, the Athletic Department does not have the ability to accept credit card transactions onsite at football games. This increases the risk associated with the large volumes of cash, on average $15,000,
1. Athletic Department Cash Receipts (cont.)

- taken in at each home football game. Weak controls over cash receipting increases the risk of misappropriation of funds.

Only recently have documented cash receipting procedures been established, but staff training of the procedures has not taken place. On a related note, fall 2009 was the first time the Athletic Department used University Ticket, a software application, to manage their football ticket sales, and the staff was not fully trained on the use of the new software. Thus, Athletic Department staff did not fully utilize the benefits of the software.

**Recommendation**

- Strengthen controls by adhering to established University cash receipting procedures and, as appropriate, provide staff training regarding the use of the University Ticket software application, proper cash handling procedures, and documentation of the chain of custody.

- Document each person's role in receiving, counting, and verifying cash collected in order that an accurate chain of custody can be established.

- Consider implementing the ability to accept credit card transactions at ticket gates in order to reduce the volume of cash handled on football game days. Document the verification of deposits for football game day ticket sales, ensuring that all supporting documentation is complete and accurate.

**Management's Response**

- The Texas A&M University-Kingsville Business Office (April 2010) conducted a training session for all Athletic Department staff members in the areas of procurement card purchases, cash receipting, travel documentation, and general receipts. In addition, the Athletic Department implemented and scheduled bi-annual departmental meetings with the Business Office to occur once each semester. Implemented in November 2010 and will be implemented in March 2011.

- In the months of August, September and October, 2010, the Director of Athletics conducted multiple meetings with Athletic Department staff members to train, emphasize and underscore the importance of following the cash receipting procedures.

- Two administrative staff signatures are required to preserve chain of custody involving cash receipts. Daily balance sheets must be prepared by each cashier, reconciling cash to receipts and
1. Athletic Department Cash Receipts (cont.)

accounting for overages and shortages. The completed balance sheet shall be verified by someone other than the cashiers. Two staff signatures (ticket manager and administrative assistant or department designee) are required to validate the accuracy of the information. The balance sheet shall be prepared in triplicate. One copy remains with the department. The original is locked in the bag, to be presented to the Business Office cashier together with the locked bag. The Business Office cashier will provide a copy of the validated balance sheet. Implemented - September 2010.

University Tickets conducted an on-site two-day training session for the members of the Athletic Department and Business Office staff outlining all available software applications in August 2010. In addition, the Department has the ability to implement the practice of utilizing ticket scanners to assist in the reconciliation process. Implemented - September 2010.

The Athletic Department now has the ability through the use of a wireless credit card terminal to accept credit card transactions (onsite/offsite) for all home athletic events. This will help decrease the risk associated with large volumes of cash. Implemented - October 2010.

The ticket manager and the Business Office conduct regularly scheduled meetings following athletic contests in an effort to expedite the ticket reconciliation process. Implemented - September 2010.

2. Sports Camp Financial Administration

Observation

Sports camp financial administration requires improvement. Processes should be strengthened to:

- Perform reconciliations of camp participants to camp revenues deposited in the bank.
- Provide a full and true accounting of camp revenues and expenses, including procedures to book transactions in the appropriate fiscal year.
- Capture discount information if camp participants pay in advance or attend camp on scholarship.

While camps are viewed by the Athletic Department as important for recruiting and as a source of summer salary funding for coaches,
emphasis was not placed on administrative aspects of camps. Camp Pros, a new vendor used to register camp participants, did not allow additional participants that registered offline to be entered into the system once camps began. Additionally, administrative staff were unable to enter different registration fee amounts into the Camp Pros software used to maintain camp participants' registration information.

The NCAA Constitution requires intercollegiate athletics programs to be administered with prudent management and fiscal practices. The lack of good business practices over camp revenues and other financial activities increases the University's risk that the funds may be misused or misappropriated.

Recommendation

Develop and implement more comprehensive revenue and accounting controls for sports camp administration including reconciliations of camp participants to camp revenues deposited in the bank, a full and true accounting of camp revenues and expenditures, and capturing discount information if camp participants pay in advance or attend camp on scholarship.

Management’s Response

The Department of Athletics has begun implementing many corrective measures and will continue to improve, monitor, and update its processes and procedures to meet all NCAA, Texas A&M System, and Texas A&M University-Kingsville policies and procedures.

Camp Pros has made adjustments to allow registration entries subsequent to camp start dates. Implemented - September 2010.

The Athletic Department is currently in the process of implementing new camp accounting procedures in effort to provide a full and true accounting of camp revenues and expenses, including procedures to book transactions in the appropriate fiscal year. Implemented - May 2011.

The Athletic Department has the ability through the use of a wireless credit card terminal to accept on-site credit card transactions the day of camp registration. Implemented - September 2010.

Discount information will be captured for future camp participants through the Camp Pros system to help reconcile each camp between FAMIS and Camp Pros and all discounts will continue to comply with current NCAA bylaws. In addition, we will ensure that
2. Sports Camp Financial Administration (cont.)

The athletics compliance officer is appropriately engaged in the camp administration process with documented oversight. Implement in May 2011.

The administrative assistant and the Business Office will conduct regularly scheduled meetings after each camp to reconcile the revenues and expenses between Camp Pros, FAMIS, and hard copy paperwork for each camp. Implement in May 2011.

3. Affiliation Agreement

Observation

The affiliation agreement with the Javelina Club is not current.

A current affiliation agreement is not in place with the Javelina Club. The Javelina Club is a colloquialism for the Texas A&I University Booster Club (registration date, 4/27/1982). The University signed an affiliation agreement with the Javelina Booster Club June 7, 2004, and the effective dates of this agreement continued in force for a period of five (5) years (i.e. June 1, 2009). As a result of legislative and legal issues surrounding the University’s past and current names, the University requested the assistance of the Texas A&M University System Office of General Counsel. General Counsel advised the University to change the name of the booster club prior to securing a new affiliation agreement. Both processes are underway. The Javelina Club is a shared service fundraising organization that uses the University's administrative services, such as accounting, to manage their funds.

A&M System Regulation 60.01.01 requires affiliations with fund raising organizations to be documented in an affiliation agreement.

Recommendation

Establish a new affiliation agreement with the Javelina Club.

Management's Response

We are in the final stages of completing the necessary steps of the affiliation agreement and the name change of the former Texas A&I University Booster Club to the Javelina Club. The Javelina Club will continue to be a shared service fundraising organization that utilizes the University’s administrative services. The affiliation agreement was sent November 2010 and is being reviewed by the System Office of General Counsel. Implementation to be completed by May 31, 2011.
BASIS OF REVIEW

Objective

The objective of the review was to evaluate the financial and management controls over the University’s athletics program to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Texas A&M University - Kingsville is a member of the National Collegiate Athletics Association and competes at the Division II level. In fiscal year 2010, the University sponsored twelve varsity sports. The sports are:

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<tr>
<th>Men’s</th>
<th>Women’s</th>
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<tbody>
<tr>
<td>Football</td>
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<td>Track and Field</td>
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<tr>
<td>Golf*</td>
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*January 2010 - Hired a women’s golf coach and began recruiting student-athletes. Women’s golf begins competition in fiscal year 2011 becoming the University’s thirteenth varsity sport.
AUDIT TEAM INFORMATION

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