

THE UNIVERSITY OF IOWA

Internal Audit Department

NCAA Equipment and Apparel

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INTERNAL AUDIT REPORT

NCAA Equipment and Apparel

BACKGROUND

As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Article 22.2.1.3 (e) requires member institutions to demonstrate at least once every four years that its rules-compliance program has been evaluated by an authority outside the Athletics Department. This audit was performed to fulfill a portion of the requirement.

PURPOSE AND SCOPE

The framework for this audit was developed by The Association of College and University Auditors (ACUA). The audit scope included:

- Reviewing the job descriptions and annual performance reviews of the four Equipment Managers.
- Determining if the Athletic Department has written policies and procedures to maintain control of and monitor receipt, distribution, returning and disposal of student-athletes' equipment and apparel.
- Testing selected equipment purchases to gain a better understanding of the processes and controls in place to reduce risk of non-compliance.

DISCUSSION AND CONTROL RECOMMENDATIONS

1. Revision to University of Iowa Athletic Policy and additional oversight

A. Approval of Purchases

Discussion The University of Iowa Athletics Policy states that "Under no circumstances are coaches to initiate purchases directly with vendors, regardless of quantity, unless their sports administrator or the Director of Athletics provides prior approval. Coaches must notify the equipment room staff about these purchases."

Based on the above policy, coaches and their staff are allowed to make purchases directly from vendors provided the items are part of the approved budget for apparel and equipment. If merchandise is mail-ordered, delivery is made to the equipment rooms, allowing new purchases to be properly inventoried. When "in store" purchases are made via University Procurement Card, coaches must notify the Equipment Managers of the items purchased and the manner of their disposition so that they may be entered into inventory.

Control Recommendation

Amend University of Iowa Athletic Policy to more clearly state that the amount identified in the sport's approved budget has been pre-approved. Items listed and appropriate substitutes may be purchased directly from vendors by the coaches. Indicate procedural steps that need to be taken when spending approaches the budget maximum, and that additional approval must be documented before new spending occurs.

Give Equipment Managers a copy of each sport's detailed budget and access to each sport's Competitive Equipment accounts. Ask them to report to Sport Administrators, purchases that may be outside the budgeted amount or have not been reported for inventory. If the administrator for the respective sport is not already aware of the transaction and its purpose, the administrator will follow-up to determine who is the initiator. Unauthorized purchases become the financial responsibility of the coach.

Corrective Action by Management University of Iowa Athletics Policy will be revised and will refer to the approved budget and the Sport Administrator's override as the approval process. It will include an explanation of the need to get approval from the Sport Administrator before spending beyond the pre-approved budget amounts. Coaches and their staff members will be asked to document the purpose of the items on the voucher.

Equipment Managers will be given access to University account Competitive Equipment statements and asked to review purchases. Orders causing the sport to exceed its budgeted amount or that have not been received for inventory shall be brought to the attention of the Sport Administrator. Items that are for the team shall be accounted for and recorded in the inventory. The Equipment Manager should be notified when additional orders have been approved that will exceed the budgeted amount.

Individuals responsible - Associate Directors of Athletics-Compliance Coordinators.

Target date – August 15, 2004

Auditor's Comment Concur with action plan. Follow-up will be initiated subsequent to implementation date.

B. Student-Athlete Apparel Return

Discussion A past audit made recommendation to draft policy to establish a time limit for returning an item for full credit. Policy was drafted to give the students 30 days to return apparel for full credit after which they would be billed for the cost of replacement. All student athletes receive a copy of the policy at the certification meeting. Interviews with equipment managers indicate they do not

consistently bill at the 30 day limit allowing student-athletes a longer grace period hoping that the item will be found.

Control Recommendation

Enhance current policy by adding detailed steps to be taken when items are not returned and the person responsible to initiate the action. Equipment Managers should immediately issue the student athlete written notice when an item is determined to be missing during the course of the season. The warning will be copied to the respective coach. The Equipment Manager should initiate billing to the student no later than 30 days after the item was scheduled to be returned.

Corrective Action by Management

When items are determined to be missing, Equipment Room staff will be instructed to take timely action to enforce the policy, both in notification and billing. Policy will be changed to instruct Equipment Managers to immediately issue the student-athlete written notice if an item is missing during the season. This notice will be copied to the respective coach. Billing by the Equipment Manager will be initiated no later than 30 days after the item was scheduled to be returned.

Individuals responsible - Associate Directors of Athletics-Compliance Coordinators.

Target date -August 15, 2004

Auditor's Comment Concur with action plan. Follow-up will be initiated subsequent to implementation date.

2. Controls over Purchases of apparel for other purposes

Testing indicated purchases made for promotional items, special awards, and coaching apparel were not adequately documented by coaches and their staff.

When internal controls are not practiced, the University and its personnel are vulnerable to accusation of noncompliance regarding the following NCAA rules:

- Prospective student-athletes, their relatives and friends should not be offered clothing, equipment, and other merchandise.
- Supplies or clothing from a manufacturer or commercial enterprise should be distributed by the institution, not directly to the student-athlete.
- Logos are restricted on equipment, uniforms, and apparel.
- Only apparel that is specific to practice and competition may be received by student-athletes.
- Equipment and apparel must meet NCAA safety guidelines.

Control Recommendation

Communicate to personnel the importance of internal controls for purchases of apparel for purposes other than student-athlete practice and competition. Controls should include prior approvals, notation of purpose on receipts, and entering information to the accounting system to accurately reflect the type of expenditure.

Corrective Action by Management

Staff will be advised of University of Iowa Athletics Policy with regards to the purchase of promotional items, extra benefits for student-athletes, and the accounting methods to segregate these and coaching apparel from apparel purchases for student-athlete practice and competition. The necessity of internal controls such as pre-approval, documentation, and proper account assignment will be communicated. As current policy directs, unauthorized purchases become the financial responsibility of the coach.

Individuals responsible - Associate Directors of Athletics-Compliance Coordinators.

Target date - August 15, 2004

Auditor's Comment Concur with action plan. Follow-up testing will be initiated subsequent to implementation date.

SUMMARY

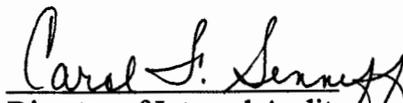
No violations of NCAA regulations were discovered in this audit. The audit recommendations in this report are to strengthen controls and reduce risk. Continued attention to:

- Communicating policy and procedures by administration to staff.
- Continuing good internal control practices in the equipment rooms.
- Cooperation by the respective coaches and staff to enforce policy will reduce the risk of non-compliance with NCAA rules.

Athletics has drafted changes to the current policy which will be finalized prior to the follow-up.


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