

## FISCAL INTEGRITY COMMITTEE

### Exhibit List

<u>Number</u>	<u>Description</u>
3	University Athletic Association Articles and Bylaws
12	1997-98 University of Florida NCAA Rules Compliance Brochure
37	University Athletic Association Team Booster Club Policies and Procedures
38	University Athletic Association Financial Schedules (1994-1996)
39	University Athletic Association Employee Handbook
40	*Management Letters From KPMG Peat Marwick LLP (1994-1996)

\* Document required by self-study instrument

## **Fiscal Integrity Committee**

**1. Describe any major changes in athletics and organization that affect the institution's current efforts in matters related to the operating principles listed above regarding fiscal integrity, focusing on those implemented during the last three years.**

In 1991, President Lombardi separated the University Intercollegiate Athletics Committee from the Athletic Association Board of Directors and established two separate entities with clearly defined responsibilities. The Board of Directors was given jurisdiction over the operations of the corporation. The Finance Committee, as a standing committee of the Board of Directors, was charged with oversight of fiscal policy, budget and spending.

Separate pension and investment committees, which had been operating for a few years as sub-committees of the Athletic Association Finance Committee to ensure prudent investment of the pension funds and the operating reserves, were combined, and the Pension/Investment Committee was formally established as a standing committee of the Board of Directors in 1996. The composition of this committee includes certain members of the Board of Directors, as well as a faculty member from the College of Business who has expertise in this area but is not a member of the Board of Directors. The committee utilizes the services of an investment consultant. In 1996, a formal investment policy was adopted by the Board of Directors, and an investment firm was hired to manage Athletic Association investments.

The Fiscal Integrity Committee determined that these two changes strengthened the institution's compliance with OP 1 as related to following prudent management and fiscal practices.

A five-part compensation plan was established in 1991 to formalize payments of supplements and bonuses to recognize performance, achievement, and success in the areas of athletic competition, academic accomplishments, and individual work performance for all full-time employees. In 1995, the Standing Ovation program was implemented to recognize exemplary work performance among support staff. The latest revision to the five-part compensation plan was made in June 1996 to provide for longevity incentives for head coaches. In December 1996, the Board of Directors approved expansion of the longevity incentives to certain senior administrative staff as well.

The Fiscal Integrity Committee believed this change also strengthened institutional compliance with OP 1. In addition, codification of this plan further ensures that these expenditures are handled consistently in accordance with NCAA rules, as required by OP 2.

## **Fiscal Integrity Committee**

### **2. Explain the institution's philosophy with respect to the funding of the athletics program.**

University of Florida policies, which are consistent with Florida Board of Regents' guidelines, require that the athletic program be self-supporting. Under these guidelines, athletic programs are not permitted to operate with a deficit budget. State appropriations are provided for women's athletics and out-of-state fee waivers. An athletic fee is a component of student tuition. (The state appropriations and the athletic fees represents 5.8% of total revenue for 1996-97).

A goal of the Athletic Association is to maintain the financial strength, stability and viability necessary to support its status as one of the premier college athletics programs in America. To achieve this goal, the Athletic Association must optimize revenue, control expenses and prudently invest reserves to provide funding for:

- a. Recruitment and retention of professional staff and coaches by providing competitive wages and benefits.
- b. Support of the University's academic mission. Funds in the amount of \$12,627,341 have been transferred to academic programs for this purpose since 1990.
- c. Provision and maintenance of excellent facilities.
- d. Participation in a carefully selected number of intercollegiate sports in accordance with the University and Athletic Association missions relating to equity, which includes full monetary support for every team.

Revenue objectives are based on establishing competitive pricing of events, products and services; keeping student ticket prices and student fees as low as possible; maximizing royalty income and rights fees for TV and radio; generating sufficient revenue to cover the operating costs of the program; emphasizing major gift fund raising as a primary source for facilities and scholarship endowments.

A prudent budget review process exists to balance the budget and to generate reserves to retire debt. There is an ongoing review of all areas to enhance efficiency and to reduce costs. Areas that do not directly affect student-athletes and the ability to compete are the focal point of this review.

Monthly reports are issued to all department heads and head coaches that identify the budget status of each account. Monthly budget meetings are

held between the Director of Athletics and the accounting staff to review revenues and expenses to date and identify problem areas. In addition, monthly financial reports are sent to the University Vice-President for Administrative Affairs, who is the Treasurer and Finance Committee Chair of the Athletic Association.

There is an annual audit by an independent CPA firm. This report is reviewed by the Audit Committee and the Board of Directors and then submitted to the State Board of Regents.

The fiscal policy goals of the Athletic Association are:

1. To maintain sufficient total net assets (and liquid assets) for financial stability and viability, including a two-month operating reserve should a major budgetary shortfall occur.
2. To accumulate and maintain sufficient resources to accommodate current and future Athletic Association programs;
3. To accumulate and maintain a reserve over and above that required by the bond covenants to ensure timely payment of interest and principal as well as assess the value of early payment of debt.
4. To invest and manage prudently all reserves to maximize total return within acceptable levels of risk.

The Finance Committee and Board of Directors must approve the use of reserve funds.

The institution's policies and goals with respect to the funding of the athletics program as described above demonstrate the institution's compliance with OP 1.

## Fiscal Integrity Committee

### **3. Prepare a list of all revenue sources for intercollegiate athletics that are under the clear accounting and financial control of the institution.**

#### General Revenue

- Ticket revenues and guarantees
- Post season bowl and tournament revenues
- Conference revenues
- Ticket related contributions
- Facility contributions
- Other contributions designated for a particular sport
- State appropriation for women's athletics

#### Auxiliary Revenue

- Radio & TV Shows
- Cable TV rights
- Sale of programs
- Sportshop sales
- Licensing revenues
- Golf course revenues
- Facility rental
- Camp revenue
- Athletic dorm revenues (now closed to comply with NCAA regulations)
- Dining hall revenues (now closed to comply with NCAA regulations)

#### Other Revenue Sources

- Concessions revenue
- Interest revenue
- Equipment contracts
- Sponsorships
- Scoreboard revenue
- Student fees

Intercollegiate athletic fund raising is done by Gator Boosters, Inc., a separate not-for-profit corporation which is a direct support organization of the University of Florida. The President of the University is Chairman of the Gator Boosters' Board of Directors.

Major gifts constitute the primary source of funds for facilities and for providing athletic endowment funding. All major gifts are deposited with the University of Florida Foundation, Inc., which is the University's fund raising organization and also a direct support organization. The determination of the spendable portion of endowment funds is governed by the expenditure policy of the University's Foundation. Once the expendable portion is allocated to the Athletic Association, the actual expenditure of the funds is under the accounting and financial control of the Athletic Association.

The major sources of Gator Boosters revenue are ticket-related contributions, skybox and den contributions, and contributions designated for a particular sport. All Gator Boosters revenue in excess of its operating expenses is transferred to the Athletic Association to fund athletic scholarships, debt service, and the facility needs of the Athletic Association. Actual expenditures for these purposes are under the accounting and financial control of the Athletic Association.

As indicated in the Governance and Commitment to Rules Compliance Committee section, many Gator clubs have been established under the jurisdiction of the University of Florida National Alumni Association to support the University in communities around the country. There are also several sport-specific clubs supporting various athletic teams, such as the Quarterback Club and the TipOff Club. All of these clubs raise money in various ways to support their own activities. The policy-making committee of each club includes an athletic staff member to maintain good communication between the Athletic Association and the club. This person also monitors club activities. The compliance staff and staff liaisons meet with the officers of all the booster clubs at an annual meeting. Each club is provided with the team booster club policies and procedures (see exhibit 37), forms for the required financial reports, and a brochure covering NCAA rules compliance (see exhibit 12). Support clubs wishing to endow a scholarship are required to make a contribution to the University of Florida Foundation designated for intercollegiate athletics scholarships. Clubs wishing to earmark a gift for a particular purpose are required to make a contribution to the Athletic Association, which assures that these funds and their expenditure are completely under the accounting and financial control of the Athletic Association.

The committee determined that both OP 1 and OP 2 were applicable in this area. These policies and practices assure that all expenditures for athletics are handled consistently in accordance with NCAA rules (OP 2) and demonstrate that all expenditures for athletics from any source are consistent with university fiscal policy and are under the accounting and fiscal control of the institution (OP 1).

## **Fiscal Integrity Committee**

**4. Prepare a list of all other sources (i.e., those not under the accounting and financial control of the institution) generating revenue on behalf of your institution's intercollegiate athletics program, including outside foundations.**

In compliance with OP 1, all sources of revenue are under the accounting and financial control of the University of Florida.

## Fiscal Integrity Committee

**5. Describe the step-by-step process for the athletics program's budget development and approval, and highlight any areas that may differ from the institution's standard or normal budgeting procedures. Prepare a separate description for those sources of revenue described in Item No. 3 and another for revenue sources described in Item No. 4.**

The following process applies to all sources of revenue. A budget calendar is prepared for internal use detailing deadline dates for the entire budget preparation and approval process from January to June, and following approval by the Director of Athletics, becomes a working timetable for budget completion.

Work papers are sent to all department heads and head coaches in late January. The budget packet consists of:

- a. A cover memo from the Director of Athletics with specific guidelines to be used in constructing budget requests (e.g., the 1997-98 budget guidelines indicated that there would be no price increases in the upcoming year to provide additional revenue). Department heads and head coaches are requested to identify areas for reduction to make up for areas that require increases so that the total budget request would remain constant.
- b. A cover sheet is provided that lists all the accounts for which the department heads and head coaches are responsible along with the current year's budget and a space to record their projected actual expenditure for the current year and the amount requested for the upcoming year.
- c. Head coaches are provided with several budget forms to provide the necessary supplemental documentation to fully explain the amounts requested.
- d. Permanent equipment, expendable equipment, capital improvement and major maintenance, and computer hardware and software request forms are also provided. Requests must be listed in priority order and justified.
- e. Forms to request new staff are also provided, which must be accompanied by job descriptions and justification for establishing new positions.

Revenue projections are compiled by the Assistant Athletics Director/Controller and Assistant Controller. The salary budget is computed by the Controller utilizing the University pay raise guidelines and minimum raise amounts. Periodically, non-coaching salaries are adjusted to be compatible with University ranges.



The scholarship budget is also prepared by the Assistant Athletics Director/Controller. It is the policy of the Athletic Association to fund the maximum number of scholarships allowed by the NCAA in each sport. The Athletic Association receives an allocation of \$250,000 in out-of-state fee waivers, which is budgeted as a reduction in scholarship expense. Estimated out-of-state fees in excess of the waivers are also budgeted in scholarship expenses.

Work papers are reviewed and approved by the appropriate Associate Athletics Director and forwarded to the Assistant Athletics Director/Controller in late February or early March. A first draft of the budget is compiled and submitted to the Director of Athletics in late March.

The budget undergoes rigorous review by the Assistant Athletics Director/Controller, Associate Athletics Directors and the Director of Athletics before it is balanced and finalized. Documentation for individual accounts is reviewed, and increases are approved if warranted, following discussions with the department heads, coaches and/or Associate Athletics Directors. A committee composed of the Associate Athletics Director for Internal Affairs, the Purchasing Director, the Assistant Athletics Director/Controller and the Assistant Controller meets with each official requesting permanent equipment to determine if the equipment requested is needed in order to continue operations. Requests for new positions are reviewed by the Assistant Athletics Director for Administrative Affairs and the Director of Athletics.

The Director of Athletics plays a major role in all aspects of the budget process. The recommended budget is presented to the Athletic Association Finance Committee through the budget sub-committee and ultimately to the full Board of Directors.

Once the budget is approved by the Director of Athletics, a sub-committee of the Finance Committee meets with staff for a thorough, line-item review of the budget. The sub-committee also assists with the preparation of the executive summary.

The entire budget book and executive summary are presented to the Finance Committee in May for review and approval. It is then forwarded to the full Board of Directors for ratification and implementation for the new fiscal year. The President of the University, as Chairman of the Board of Directors and a member of the Finance Committee, must also approve the entire budget. In accordance with the requirements for direct support organizations, a copy of the budget is forwarded to the Board of Regents.

This budget process is comparable to, but more detailed than, the official state requirements for the University of Florida Auxiliary Budgetary Units.

The Director of Athletics is authorized to make individual transfers of amounts not to exceed \$10,000 for any one transfer from a \$75,000 contingency fund. Transfers from the reserve fund require approval of the Finance Committee and the Board of Directors.

The budget process as outlined above is in compliance with OP 1, which requires that budget procedures for athletics be consistent with those followed by the institution generally and that the annual budget for athletics be approved by the institution's chief executive officer.

## Fiscal Integrity Committee

**6. Using the institution's established budgetary format, prepare a list of both projected and actual athletics revenues (by source) and expenditures (by budget category) for the three most recently completed fiscal years. In doing so, make sure that all athletics administrative costs are included. Provide any revenues and expenditures on a sport-by-sport basis. Prepare a separate list for revenues described in Item No. 3 and another for revenues described in Item No. 4.**

See attached schedule (exhibit 38) for the years ending June 30, 1996, June 30, 1995 and June 30, 1994. Only one schedule is attached as all revenues are considered to be under the accounting and financial control of the institution as required by OP 1.

## Fiscal Integrity Committee

**7. Describe the process used in selecting the independent auditor for the institution's external financial audit for intercollegiate athletics, including any methods used to ensure the independent nature of the auditor. Also describe relevant corrective actions planned or implemented from the three most recent audits.**

The Audit Committee of the Board of Directors is charged with selecting the independent auditor for the financial audit of the Athletic Association (see exhibit 3 - Article V, pg. 9). The selection must be approved by the Board of Directors in compliance with OP 1. The current contract with the outside auditor is for a three-year period with a maximum of two one-year renewals. A new call for proposals will be issued at the end of the five-year period.

Requests for proposals for audit services are sent to all of the Big Six accounting firms as well as some of the regional firms. Independence of the firms in relation to the Athletic Association is ascertained prior to sending the request for proposal. Responses are reviewed by the Audit Committee and reduced to three or four firms. These firms are asked to make formal presentations to the Audit Committee. The committee makes a final selection for recommendation to the Board of Directors.

Noted below are management letter comments and responses for the three most recent audits:

1995-96:

Management Letter indicated no material weaknesses.

1994-95:

The only item included in the management letter related to the adoption of new accounting policies. When the Governmental Accounting Standards and the Financial Accounting Standards were revised, there was an issue as to whether the Athletic Association would be governed by standards issued by the Governmental Accounting Board or the Financial Accounting Board. The Athletic Association staff, in consultation with the independent auditor decided that the Athletic Association was most appropriately governed by Governmental Accounting Standards. Therefore, the Athletic Association would not be subject to the pronouncements of the Financial Accounting Standards Board.

1993-94:

Management letter and response are attached. The changes in the ticket office procedures were reviewed by the auditors during their 1994-95 review

and found to be satisfactory with the exception of one problem in the student ticket office which was subsequently corrected. In addition, the amount of ticket sales processed by the Direct Talk System has greatly increased. These payments are all by credit card and wired into our account nightly, thereby significantly reducing the amount of cash and checks that the ticket office actually handles. Ticket office cash handling procedures were reviewed again during the 1996-97 audit to verify that there were no remaining problems.

## Fiscal Integrity Committee

**8. Describe the ways in which your institution approves expenditures for intercollegiate athletics, including a description of different procedures based on various sources of funding (e.g., state funds vs. restricted/foundation funds). Also describe controls, policies or guidelines (if any) the institution has in place in regard to staff expansion and approval of new positions.**

All expenditures made by the Athletic Association are approved in the same manner regardless of the source of the funds.

Initial authorization for all expenditures is implemented through the budgeting process. The following purchasing thresholds are in effect to ensure competitive pricing:

1. \$1,001 to \$2,000 - 3 or more verbal price quotes;
2. \$2,001 to \$10,000 - 3 or more written price quotes;
3. \$10,001 and above - 3 or more sealed, formal bids.

Purchases under \$1,000 are at the discretion of the ordering department. The exception to these purchasing regulations relates to travel. The Athletic Association has a contract with a travel agency for all commercial travel except that related to NCAA championships, which is handled through the NCAA. The travel agency provides an in-house agent and is required to obtain the best possible price.

Requests for new positions are included in the budgeting process. All new positions approved and recommended by the Director of Athletics must then be approved by the Finance Committee and the Board of Directors. See self-study item 5 for details of the budget process.

Directors of administrative departments, such as the purchasing department and the ticket office, may approve expenditures up to \$500. Expenditures over \$500 must be requested on a purchase requisition and be approved by the appropriate Associate Athletics Director and the Assistant Controller. All purchase requisitions in excess of \$5,000 must be approved by the Associate Athletics Director for Internal Affairs and the Assistant Controller. Approved purchase requisitions are forwarded to the purchasing department where a purchase order is produced following appropriate purchasing guidelines. The system automatically checks the remaining budget and rejects requests when insufficient funds exist. The rejected requisition is returned to the accounting department.

All expenses directly relating to a specific sport or a function directly affecting student athletes, such as the training room, must be approved by the appropriate Associate Athletics Director and the Assistant Controller

regardless of the amount. All expenditures related to recruiting and all expenditures for awards must be approved in advance by the Associate Athletics Director for Compliance and the Assistant Athletics Director for Compliance and Support Services. All expenditures for team equipment must be approved by the Director of Equipment.

These policies and procedures demonstrate compliance with OP 2 by ensuring that all expenditures for athletics are handled consistently in accordance with NCAA rules, and they demonstrate compliance with OP 1 by ensuring that all expenditures for athletics are approved by the institution.

## Fiscal Integrity Committee

### **9. Describe the institutional procedures that are in place to address any deficit in the intercollegiate athletics budget incurred during any fiscal year(s).**

Pursuant to Athletic Association policy, the budget must be balanced before it is approved by the Finance Committee and the Board of Directors. A budget in which projected expenditures exceed projected receipts would not be approved.

The Finance Committee, subject to approval of the Board of Directors, may make the decision to fund a new facility from the reserve instead of borrowing the money. The funding of a new facility would not result in an income statement loss since it would be capitalized, but would result in a reduction of the reserve. Funding a facility from the reserve would occur only if sufficient cash reserves were available.

The revenue budget is developed in a very conservative manner, which makes it very unusual for a revenue shortfall to occur. However, were that to happen, the Finance Committee and Board of Directors would make reductions in the expenditure plan and/or approve an appropriation from the reserve to provide the additional resources. Part of the strategic plan is to “ earmark ” at least two months’ operating expenses as a reserve, approximately \$5,000,000, in case of a revenue shortfall in any one year.

The above policy ensures compliance with OP 1 in respect to prudent management and fiscal practices.



## Fiscal Integrity Committee

**10. Describe institutional policies and any state laws applicable to individuals, including athletics department staff members, who may enjoy economic gain as a result of university affiliation or the use of institutional facilities ( e.g., faculty involved in product research and development, coaches involved in sports camps or shoe-contract endorsements). Indicate whether, and if so, how, the institution has addressed issues related to conflict of interest, property rights, procurement regulations, and consistency of athletics department staff compensation with the various guidelines and regulations that govern compensation of other university personnel.**

A. Economic gain as a result of University affiliation or the use of institutional facilities:

Outside Income: Standard contracts for head coaches, assistant coaches and administrators provide that the employee shall obtain, through the Director of Athletics, the University President's advance approval for all athletically related income and benefits from sources outside the Athletic Association that are in excess of \$500. The employee shall provide to the Director of Athletics an accounting for all athletically related income and benefits from sources outside the Athletic Association that are \$500 or less. Sources of income shall include, but are not limited to , the following:

- A. Income from annuities;
- B. Sports camps;
- C. Housing benefits (including preferential housing arrangements);
- D. Country club memberships;
- E. Complimentary ticket sales;
- F. Television and radio programs;
- G. Consultation or personal services contracts with athletic shoe, apparel or equipment manufacturers.

Camps, clinics and lessons utilizing campus facilities: Coaches are encouraged to operate summer camps and clinics, and tennis and golf coaches are permitted to give lessons, utilizing campus facilities subject to the approval of the Director of Athletics. Camps are established and conducted as sub-departments of the Athletic Association. With the exception of equipment received in-kind designated for camp use, all camp revenues and expenses are included on the Athletic Association books. The excess of revenue over expenses for each camp is paid to the coach as salary prior to the calendar year-end.

Equipment contracts: Prior to three years ago, equipment contracts were between the companies and individual coaches. Coaches were required to report amounts received from equipment contracts to the Director of Athletics and the President, and amounts over \$500 had to be approved in advance.

The policy was changed to require that all equipment contracts be between the equipment company and the Athletic Association. The only exceptions are contracts between a coach and a sports equipment and apparel company for the provision of personal or consulting services to the company by the coach. A coach shall not enter into such a contract or modify or amend such a contract without the express written prior approval of the Director of Athletics and the President of the University. Any such contracts must be consistent with the contracts entered into between equipment and apparel companies and the Athletic Association.

The equipment and apparel contracts for the sports of football, men's and women's basketball and baseball have been renegotiated and conform to the policy requiring that the contract be between the company and the Athletic Association. The remaining sports with equipment and apparel company contracts will be conformed to the current policy upon expiration. The committee has found that contractual agreements exist between a number of entities and there are many variances in the contracts. The committee recommended that with the exception of the personal or consulting services contracts described in the preceding paragraph, all equipment contracts be standardized as to format. These contracts must be executed between the equipment company and the University Athletic Association, Inc. and maintained in their entirety by designated Athletic Association staff.

During the committee's review, it was noted that all equipment and apparel received by the Athletic Association for business use of athletic teams, coaches and camps should be recorded as a revenue and then expensed on the Athletic Association books. Also, all equipment and apparel received by coaches for personal use as part of a contract with the University Athletic Association, Inc. should be recorded on Athletic Association books and reported on the coach's form W-2 as compensation. Pursuant to OP 2, the policy related to equipment and apparel contracts should be formalized in writing and included in the coaches' handbook. The Athletic Association responded to the committee's recommendations as discussed in the evaluation and plan for improvement section.

Please note that the recommendation above relates only to actual recording in the Athletic Association financial records. All equipment and apparel received for team use is already being properly recorded on the equipment inventory and distributed to student-athletes and coaches as needed.

B. Conflict of interest, property rights, procurement regulations:

Conflict of Interest: Employees engaged in the purchasing or contract administration function of a specific commodity or service are expected to be free of interests and relationships with awarded and/or potential vendors which are not in the best interest of the Athletic Association. Such interests and relationships include the following:

- a. Employee is employed by or has a financial interest with an awarded and/or potential vendor.
- b. Family member(s) of an employee is employed by or has a financial interest with an awarded and/or potential vendor. Family members include spouse, children, grandchildren, great-grandchildren, spouse of a child, spouse of a grandchild, spouse of a great-grandchild, parent, aunt, uncle, grandparents or other ancestors, brother, or sister (whether by the whole- or half-blood), niece, nephew or cousin.
- c. Employee has any other relationship with an awarded and/or potential vendor that may render the employee partial toward that vendor, inhibit the impartiality of the employee's business judgment, and/or may be construed as unethical.

Employees aware of any aforementioned interests or relationships must immediately disclose it to the Purchasing Director. The Purchasing Director will review the information and advise the employee on the appropriate action(s) to take.

Employees shall not receive personal benefit from Athletic Association business or affairs.

Employees shall not disclose Athletic Association trade secrets or any other proprietary information to unauthorized persons.

The University's Office of the General Counsel has suggested that this policy be expanded to include the following paragraph:

In addition, any transactions with or compensation paid to any person who was, at any time during the five-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization, including, but not limited to, substantial contributors to the Athletic Association, officers, directors, managers or employees of the Athletic Association, or such person's family member, must be approved by the Athletic Association's Compensation Committee. This includes transactions between the Athletic Association and any corporation, partnership or sole proprietorship in which any such person or his or her family member has a financial interest. For purposes of this paragraph, family members are defined as set forth in sub-paragraph "b." above.

The Athletic Association is in the process of making the recommended addition to its policy.

Procurement policies and procedures: The purchasing department manages the central receiving operation and coordinates the acquisition of supplies, equipment and service contracts. Procurement policies are codified in a purchasing procedures manual which is comparable to that used by the

University (see self-study item 8 for detail). This department was the focus of a special in-depth review by the private auditors in 1995-96 and all audit recommendations have been implemented.

C. Consistency of athletics department staff compensation with the various guidelines and regulations that govern compensation of other University personnel:

Consistency of Athletic staff salaries with other University salaries: For all positions that have comparable University positions, compensation is consistent with University ranges. The salary budget is computed utilizing the University pay raise guidelines and minimum raise amount. For coaches and senior administrators for which there are no comparable University positions, a nationwide survey of coaches' and administrators' salaries, the University of Texas salary survey, and other appropriate athletic salary benchmarks are used in order to establish appropriate compensation levels.

All of the policies described above ensure that all expenditures for athletics are handled consistently in accordance with NCAA rules as required by OP 2. They also show compliance with OP 1 with respect to following prudent management and fiscal practices and assuring proper documentation, review and oversight of athletics revenues and expenditures.

## Fiscal Integrity Committee

### **11. Describe the policies and standard operating procedures that help to ensure that all expenditures for athletics are handled in accordance with NCAA rules.**

Pursuant to OP 2, the following policies and standard operating procedures are in place to ensure that all expenditures for athletics are handled consistently in accordance with NCAA rules.

Coaches, administrators and support staff are responsible for knowing and adhering to NCAA rules. Every employee is charged with the responsibility of NCAA rules compliance, especially as related to athletics expenditures. NCAA rules with regards to athletics expenditures can be divided into eight main areas. Those areas include outside income, audits, financial aid, team travel, awards, apparel and equipment, medical and academic.

Outside Income: Pursuant to NCAA Bylaw 11 and OP 2, policies and procedures are in place, as described in self-study item 10, pertaining to outside income. This information is included in the Athletic Association employee handbook (see exhibit 39).

Audits: The Athletic Association employs an outside firm to audit its financial statements on an annual basis as prescribed by OP 1. The auditors were selected as described in self-study item 7 and are employed for a term of three years with a provision for two extensions of one year each. The outside firm is currently in the first one-year extension. In addition to the financial statement audit, the Athletic Association requests a specific department be the focus of an in-depth audit each year.

Financial Aid: Policies and procedures exist, relative to OP 2, to ensure that all NCAA rules are followed in the area of financial aid. Within the financial aid office, one counselor is assigned to work specifically with student-athletes. The Athletic Association pays the salary for the position, as well as sends the counselor and other individuals in the financial aid office to NCAA and Southeastern Conference seminars to continue to educate them on rules compliance. Every month, members of the compliance staff, the Office of Student Life, the admissions office, the Registrar's office and the financial aid office meet to discuss current issues and continue communication among departments.

The compliance office generates a list of student-athletes who have completed certification paperwork and provides it to the Office of Student Life. A squad list is produced from that list which includes both scholarship and walk-on student-athletes. Before being sent to the financial aid office, the squad list is signed by the Registrar's office indicating that each student-athlete is enrolled in a full-time load and is certified eligible. The Director of

Financial Aid approves the squad list indicating that the awards are complete, correct, and within all applicable NCAA and Southeastern Conference limits. The compliance office and the Director of Athletics approve the squad list, and it is forwarded to the Faculty Athletics Representative for final approval. Outside scholarship lists are produced by the financial aid office, and any student-athlete who is eligible to receive such an award is notified and told of available options for accepting the aid and what effect that would have on both NCAA individual and team limits.

The financial aid office is the subject of a routine management review being conducted, at the request of the Athletic Association, by the University's Office of the Inspector General.

Scholarship awards must be approved by the appropriate coach, appropriate Associate Athletics Director, and the Associate Athletics Director for Compliance. Scholarship work papers are produced, entered into the financial aid system, and processed in the accounting office to provide for payment of room, board, books, tuition and fees. Scholarship work papers are approved by the appropriate Associate Athletics Director, the Associate Athletics Director for Academic Affairs, and the Associate Athletics Director for Compliance prior to processing. The Director of Financial Aid also reviews and approves all scholarship awards.

Team Travel: The Athletic Association contracted with a travel agency to provide in-house travel services. All paperwork for team travel is completed by the coach and approved by both that sport's Associate Athletics Director and the business office before it is processed. The Athletic Association also owns and operates three aircraft to meet the needs of student-athletes and staff more efficiently. A manifest listing all passengers must be approved by the appropriate Associate Athletics Director and filed with the aviation department at least 24 hours prior to any trip.

Awards: All requests for awards must be made by coaches through the Assistant to the Director in charge of the equipment staff and approved by the Assistant Athletics Director for Compliance and Support Services, who oversees the equipment staff, and the appropriate Associate Athletics Director. Staff members ensure that no individual has exceeded the NCAA limit on awards.

Apparel and Equipment: The equipment rooms use a computer program that monitors the issuance and retrieval of equipment on a daily basis. Student-athletes must check out equipment prior to each practice and return it following the completion of practice. The Assistant Athletics Director for Compliance and Support Services oversees this area as well to ensure compliance with NCAA rules.

Medical: In areas related to medical treatment and insurance for student-

athletes, the Administrative Services office works closely with the sports health staff and the compliance office to ensure that medical services being provided and paid for by the Athletic Association are allowable under NCAA rules.

Academic: The Office of Student Life has the responsibility for providing academic support programs for student-athletes. These programs include, but are not limited to, providing tutors for student-athletes, counseling, testing of student-athletes for learning disabilities, and administering the NCAA Student-Athlete Assistance Program.

**Fiscal Integrity Committee  
Evaluation and Plan for Improvement**

1. Operating Principles

- (1) Financial Controls.** Institutional financing of intercollegiate athletics shall follow prudent management and fiscal practices and provide relatively full and stable opportunities for student-athletes. All funds raised for and expended on athletics shall be subject to generally accepted practices of documentation, review and oversight. In addition, all expenditures from any source for athletics shall be approved by the institution. Budget and audit procedures for athletics shall be consistent with those followed by the institution generally and with the provisions of NCAA Constitution 6.2, which requires that the institution's annual budget for athletics be approved by the institution's chief executive officer or designee from outside the athletics department, and that a financial audit be performed by a qualified auditor who is not a staff member of the institution and who is selected by the chief executive officer or designee from outside the athletics department.

The Fiscal Integrity Committee found that the University of Florida is in substantial conformity with this operating principle as evidenced by the committee's responses to all of the self-study items.

- (2) Established Policies and Procedures.** The institution shall have in place policies and standard operating procedures to ensure that all expenditures for athletics are handled consistently in accordance with NCAA rules.

The Fiscal Integrity Committee found that the University of Florida is in substantial conformity with this operating principle as evidenced by the committee's responses to self-study items 1, 3, 8, 10, and 11.

2. Mission and Purpose of the Institution

The Fiscal Integrity Committee found that the activities of the Athletic Association are consistent with the mission and purpose of the institution.

3. Plan for Improvement

The Fiscal Integrity Committee offered seven recommendations for improvement.



- (1) It is important that all equipment and apparel contracts should be: (1) in a standardized format; (2) executed between the equipment company and the University Athletic Association, Inc.; and (3) maintained in their entirety by the appropriate Athletic Association personnel. The only exception will be contracts between a coach and a sports equipment and apparel company for the provision of personal or consulting services to the company by the coach. A coach shall not enter into such a contract or modify or amend such a contract without the express written prior approval of the Director of Athletics and the President of the University, and any such contracts must be consistent with the contracts entered into between equipment and apparel companies and the Athletic Association.

The following procedures were developed in response to the recommendation made regarding equipment and apparel contracts. Prior to the expiration of an equipment or apparel contract, the Director of Athletic Equipment will contact the equipment or apparel company regarding any desired renewal of the contract. If renewed, the Director of Athletic Equipment will then forward the new contract draft to the University of Florida's Office of the General Counsel, who will ensure that the contract is in a standardized format and executed between the equipment company and the University Athletic Association, Inc. Once reviewed and/or modified by the legal staff, the new standardized contract will be signed by the Director of Athletics and the coach before the original is returned to the equipment or apparel company and a copy of every contract will be retained in the appropriate Athletic Association offices.

- (2) The committee recommended that all equipment and apparel received by the Athletic Association for the business use of athletic teams, coaches and camps should be recorded as a revenue and then expensed on the Athletic Association books. In response, all equipment and apparel received by the Athletic Association for business use of athletic teams, coaches, and camps will be recorded as a revenue and then expensed on the Athletic Association books effective July 1, 1997.
- (3) The committee recommended that all equipment and apparel received by coaches for personal use as part of a contract with the Athletic Association should be recorded on the Athletic Association books and reported on the coach's W-2 as compensation. Such equipment will be recorded on Athletic Association books.

- (4) It was recommended that the policy relating to equipment and apparel contracts should be reduced to writing and included in the Coaches' Handbook. In response, the policy was submitted to the human resources department for inclusion in the revisions to the Coaches' Handbook.
- (5) The committee recommended that the Athletic Association's business insurance coverage should be reviewed by the Finance Committee. In response, the subject of business insurance coverage was considered by the Finance Committee at its December 1997 meeting.
- (6) The committee recommended that the Finance Committee and Board of Directors review the possibility of formalizing the current debt reduction process in an explicit policy. In response, a draft of a formal debt reduction policy was presented to the Finance Committee and Athletic Association Board of Directors at their respective December 1997 meetings for consideration.
- (7) The committee noted several tax issues with implications for student-athletes who are foreign nationals and for employees. It is recommended that the Athletic Association continue to work with tax consultants in collaboration with the University to resolve these issues.

The Athletic Association has reviewed with its tax consultants all payments made to coaches and staff to ensure that the W-2 forms include everything that should be considered income (e.g., bowl and championship awards). The non-resident alien issue affects all non-resident alien students on campus, not just student-athletes. Therefore, the Athletic Association is working with the University to resolve this issue and will treat student-athletes in the same manner that the University treats all non-resident alien students. The University has purchased software designed to facilitate all necessary reporting to students and the Internal Revenue Service. A task force will meet sometime in early January 1998 to address this issue for the entire University.