

Athletics

Risk Bulletin #2023-ERM-02









July 29, 2022



Overview of Athletics Financial and Operational Risks

FAMU Athletics has realized and worked through significant financial risk over more than a decade – being cited four times by the Auditor General ([2013](#), [2014](#), [2017](#), and [2019](#)) for incurring program deficits which were bridged/covered by using unallowable auxiliary funds. FAMU Athletics has been subjected to both Legislative¹ and Board of Governor oversight and monitoring for long-term violation of [BOG Regulation 9.013 Auxiliary Operations](#). As a result, the FAMU Board of Trustees enhanced oversight through the creation of the Special Committee on Athletics in June 2015. In December 2020 the FAMU BOT approved a revised 29-year plan to repay the remaining \$8.6 million in auxiliary funds. As part of this plan, the FAMU Foundation committed to annual payments of \$270,000 through year 12 of the plan (which was first implemented in September 2016). Strong controls were established to prevent the further improper use of auxiliary funds but strong budgeting, leadership, internal controls, and fiscal discipline are key to improving Athletics operational and financial performance.

The FAMU Division of Audit, identified the following athletic risk areas that needed immediate management attention in their [Risk Assessment Report \(July 2021 – June 2022\)](#).

Athletics	
 <p>NCAA awarded an additional year of athlete eligibility which could increase scholarship obligations and expenses, unless recruiting is limited</p>	 <p>Increased efforts required to ensure equity for female staff, athletes, and sports to meet federal (Title IX) and state (Section 1006.71 FS), and BOG (Regulation 2.003) requirements</p>
 <p>NCAA allowed student-athletes to be paid for the use of their name, image and likeness that increases the compliance responsibilities for the University with contracts and regulations</p>	 <p>Continued need for enhanced revenue and expense forecasting and management for Athletics to remain a self-supporting entity in accordance with BOG Regulation 9.013</p>
 <p>Continued focus to ensure compliance with NCAA requirements related to sports medicine and athletic trainers</p>	 <p>Lack of a shared and common understanding around expense charging related to the use of E&G and Athletic facilities</p>
 <p>NCAA Transformation Committee is going through a deregulation phase which could remove limits on coaches and scholarships, impairing FAMU's ability to compete for talent</p>	 <p>Continued need to enhance learning resources for athletics talent to increase student success outcomes</p>

The Division of Audit also has noted the following operational areas where controls need to be strengthened to reduce the risk levels within the athletics program: Vendor Management, Student/Team Travel, Game Day Operations (Football), Inventory Management, NCAA Compliance Monitoring, and Athlete Mental Health.

¹ Legislative oversight is through the Joint Legislative Auditing Committee (JLAC). FAMU's most recent letter to JLAC was in [February 2020](#).



The Association of College and University Auditor's (ACUA) Risk Dictionary identifies a wide variety of Athletic financial-related risks including: Losing Seasons for Revenue Generating Sports; Depressed Ticket Sales; Deterioration of Facilities; Ineffective Cash Management; Insufficient Cash Flow; NCAA Violations; Misuse of Travel Funds; Stagnate or Declining Booster Contributions; Student Financial Aid; Title IX Violations; Revenue Agreements, and Ticket Fraud.

On July 28, 2022, ACUA hosted an [Athletics webinar](#) and highlighted the following areas within the Athletics Risk University where management needed to focus: Athletics Compliance, Sports Camps, Event Safety and Facilities, Revenue Agreements, Ticket Sales, Travel Expenses, Contracting, Fundraising, Athlete (Privacy, Safety, Academics, Wellness), and Organizational Structure.

Additionally, the following emerging and high risk areas were identified during the webinar: Ethical Conduct by Coaching Staff, College Football Realignment, College Power-Brokers, NCAA Recommendation of Transfer Portal Windows, Changes to Infraction Process, and NCAA Willingness to Cite Programs for Lack of Institutional Control (i.e. LSU).

Chief Audit Executive Recommendations

To help ensure financial and operational stability of the Athletics program going forward, President Robinson and the Senior Leadership Team should evaluate and consider the following;

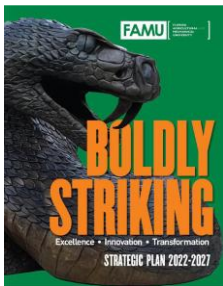
- Review and monitor outcomes related to the institution's plans for gender equity in athletics programs under Title IX.
- Evaluate internal Athletics Department policies and procedures for alignment with University Regulations and BOT Policies as well as for strong internal controls.
- Obtain support from Direct Support Organizations (DSOs) to support Athletics in accordance with [Florida Statute 1004.28\(1\)\(a\)2](#). Additionally, ensure that donor and sponsorship support of intercollegiate athletics reflects institutional priorities, and those revenues remain under institutional control. Key to this effort will be enhancing DSO internal controls and implementing processes which will help facilitate and track fund raising efforts.
- Ensure that the allowable use of funds is understood and followed. For reference, **Appendix I** summarizes information regarding the allowable use of funds for Athletics.
- Determine whether the soon-to-be-appointed permanent AD should take up revision of the recently developed **STRIKE Strategic Plan to Transform FAMU A&M Athletics 2020-2025**.
- Evaluate the Board of Trustees policies which govern Athletics and require update.
 - 2005-16 [Audit of University Athletics Finances](#)
 - 2005-17 [Intercollegiate Athletics Policy](#)
 - 2005-18 [University Athletics Boosters Policy](#)



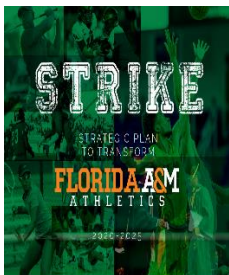
Senior Leadership Team Suggested Points of Discussion

- What strategies can the University employ to ensure stability within the AD position going forward?
- Determine the impact of intercollegiate athletics on campus climate - how does athletics affect admissions, social life, academic values, and the composition of the student body?
- Consider which financial processes cross organizational lines and whether each functional unit has a clear and shared understanding of roles and responsibilities. Examples include: Registrar’s role with NCAA eligibility process; Controller, Foundation, Cashier’s Office, and Ticket Office role in collection of Athletics revenues; Budget Office role in budgeting and status reports; Office of Compliance and Ethics role in Athletics Compliance; Student Health Services role with regard to student-athletes. Determine whether the institutions’ organization structures support or inhibit these shared roles and responsibilities.

How Athletics Supports the University’s Strategic Plan: Boldly Striking



Trustee Kristin Harper’s Message in the University’s Strategic Plan: Boldly Striking indicates that FAMU aspires to “Increase worldwide recognition as a leading academic, research, and cultural institution, including but not limited to our iconic Marching 100 and athletics programs.” An athletics department that reflects the ideals of the university can enhance the institutions ability to deliver on all five strategic priorities: 1. Student Success, 2. Academic Excellence, 3. Leverage the Brand, 4. Long-term Fiscal Health and Stability, and 5. Organizational Effectiveness and Transformation.



The [STRIKE Strategic Plan to Transform FAMU A&M Athletics 2020-2025](#) set four priority areas:

1. **Student-Athlete Success** – To create a FAMULY environment that will provide a superior student-athlete experience and promote their health and success in preparation to becoming professionals in their chosen endeavors.
2. **Competitive Excellence** – To be nationally recognized for Championship Performances while consistently winning the Commissioner’s Cup and maintaining our reputation as a top academic institution.
3. **Resources** – To provide the necessary financial, human and facility resources to ensure FAMU student-athletes receive a first-class NCAA Division I intercollegiate athletics experience.
4. **Brand Awareness** – To enhance the FAMU Athletics brand to be nationally recognized as a prominent Division I Athletics institution.



Additional Resources

[The Athletics Money Monster](#)

The Chronicle of Higher Education article related to the Supreme Court decision impacting educational payments to athletes and related name, image, and likeness legislation. (Note: Free subscription required to view article.)

[AGB Athletics – Why this is important](#)

Intercollegiate athletics programs are staples of community building, and governing boards are essential in upholding the integrity and future vitality of athletics programs.

[Governing Boards' Responsibilities for Intercollegiate Athletics](#)

This AGA document highlights challenges and articulates principles to address them. Challenges associated with college sports have continued to increase dramatically— including growing costs, complexities related to conference play, student-athlete academic performance and health and safety risks, and rising tolerance for long-term liabilities in coaching and athletics personnel contracts, as well as some high-profile athletics scandals and ethical violations.

[The Importance of Athletics to Education](#)

This article covers a few of the ways athletics can and does support the educational process.

[Report No. 19-20-0005 Advisory Services Report Process for Adopting and Changing Policies](#)

The Division of Audit report provided suggested Athletics policy updates in our November 2019

[Status of Select Athletics Reporting Requirements](#)

The Division of Audit report highlights financial audit and reporting requirements for Athletics.

[NAAC Reasonable Standards - National Association of Collegiate Directors of Athletics \(nacda.com\)](#)

National Association for Athletics Compliance (NAAC) current Reasonable Standards for Division I and Division II published at:

The NCAA website: <https://www.ncaa.org/>

The NCAA Publications: <https://www.ncaapublications.com/>

Authored by:



Joseph K. Maleszewski
CIA, CISA, CIG, CIGA, CIGI, CCEP, CGAP, CCA, CFE
Vice President for Audit and Chief Audit Executive
Florida A&M University



Appendix I – Allowable Use of Funds for Athletics

The following table summarized the allowable use of certain fund types in support of university athletics.

Fund Type	Allowed/Prohibited	Notes
E&G Funds E&G includes General Revenue, Student and Other Fees Trust Fund, Educational Enhancement Trust Fund (Lottery), Phosphate Research Trust Fund, etc.	Prohibited	BOG Regulation 9.007 State University Operating Budgets and Requests E&G funds are to be used for E&G activities only, such as, but not limited to, general instruction, research, public service, plant operations and maintenance as defined in Board of Governors guidelines, furniture, fixtures, and equipment, student services, libraries, administrative support, minor capital projects not to exceed \$1 million per individual project, and other enrollment-related and stand-alone operations of the universities.
Auxiliary Funds Includes non-athletics concessions	Prohibited	BOG Regulation 9.013 Auxiliary Operations. Each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity. FAMU Legal Opinion – September 2016: With the exception of providing scholarships to student athletes from the earnings on the investment of auxiliary funds, the use of funds from non-athletics auxiliaries to support athletics is inconsistent with Board of Governors Regulation 9.013.
Auxiliary Investment Earnings	Allowed – for Student Scholarships including Student Athletes	Florida Statute 1011.43 relating to earnings on the investment of university funds states: “Each university is authorized to invest available agency and activity funds and to use the earnings from such investments for student scholarships and loans. The university board of trustees shall provide procedures for the administration of these scholarships and loans by regulations.” FAMU Legal Opinion – September 2016: With the exception of providing scholarships to student athletes from the earnings on the investment of auxiliary funds, the use of funds from non-athletics auxiliaries to support athletics is inconsistent with Board of Governors Regulation 9.013.
Student Athletic Fees	Allowed	BOG Regulation 9.007 State University Operating Budgets and Requests
Ticket Sales Revenues	Allowed	BOG Regulation 9.007 State University Operating Budgets and Requests
Radio/TV Revenues	Allowed	BOG Regulation 9.007 State University Operating Budgets and Requests
Bowl Games Revenues	Allowed	BOG Regulation 9.007 State University Operating Budgets and Requests



Tournament Revenues	Allowed	BOG Regulation 9.007 State University Operating Budgets and Requests
Game Day Vendor Revenues	Allowed	Consistent with allowable revenue sources cited in BOG Regulation 9.007 State University Operating Budgets and Requests
Concession Fund	Prohibited	Concession Fund – revenues generated from various vending activities located around the campuses. The university’s budget must reflect the various departments/activities on each campus which benefit from receipt of these funds.
E&G Title IX Funds	Allowed – for Title IX purposes like women’s sports scholarships and salaries	BOG Website: Intercollegiate Athletics The Athletics Operating budget supports the university’s student athletics program. Funding is generated from student athletics fees as well as ticket sales to athletics events, game guarantees, NCAA distributions, sponsorships and private support. Intercollegiate Athletics is also supported by Title IX funding, waivers and scholarships, and a statutory tax on ticket sales to support women’s sports. https://www.flbog.edu/finance/university-budget-information/glossary-of-budget-and-finance-terms-terms/