

# EXECUTIVE SUMMARY

## Special Panel on the UM Athletic Deficit

In March 2004, Commissioner of Higher Education Sheila Stearns announced the formation of a Special Panel on UM Athletic Deficit in response to The University of Montana's announced \$1 million athletics' deficit projected for FY04. The Commissioner appointed 11 members to an independent panel and tasked them to review the following in relation to UM athletics:

1. Deficits and budget controls
2. Accounting errors, practices and controls
3. Accuracy of previous information provided to the Board of Regents
4. Assessment of problems in terms of intention, awareness by chain of command
5. Review of spending guidelines and policies for both public and private funds
6. Recommend general areas in which the University and the Board of Regents should change the system, processes, or policies that allowed these problems to occur

The Panel was also asked to provide a written report to the Board of Regents on May 20 in Havre.

From its initial meeting on March 23 until the report to the Board of Regents, the Panel had two months to complete its review. The Panel focused on the issues that were addressed by the Commissioner. What the Panel did **NOT** do was:

- Conduct a full-fledged audit of UM athletics;
- Review all Athletic Department ProCard records;
- Analyze the Adams Center's finances or related debt;
- Analyze Title IX requirements and how they impact the UM athletic budget;

The Special Panel on UM Athletic Deficit report contains **42 findings and 26 recommendations.** In summary of our findings, the Panel concluded:

- **The reported million dollars deficit was not a result of missing or misplaced cash. We have no evidence that anyone intentionally "cooked the books".**
- **Revenues were overstated by \$381,000 for FY03 because of bad accounting. The projected \$600,000 budget deficit for FY04 is caused by an on-going structural deficit in athletics.**
- **The panel concurs with the time-line presented by President Dennison as to the discovery and reporting of the accounting error related to fiscal year end 2003.**
- **UM officials did not intentionally mislead the Regents when they said the athletic report was balanced. UM relied on a FY04 budget that was poorly developed. Although UM first learned of budget variances in October, they did not know the full extent until February.**
- **There was little budgetary control over athletics by anyone at any level.**
- **Managers at all levels knew or should have known about the structural deficit.**
- **Established purchasing and ProCard policies and procedures were in place, but were not followed by athletic department employees.**
- **The former athletic fiscal officer was hired through an internal search and did not meet the minimum qualifications as stated in the posted job description.**

- **The former athletic fiscal officer was overwhelmed with his workload and did not devote sufficient time to fiscal management, including budget preparation and monitoring.**
- **The former athletic director (AD) relied on the fiscal officer and did not provide adequate supervision and oversight. The AD was inattentive to the status of the athletics budget on a routine basis and did not put adequate efforts into development of a reasonable operating budget plan.**
- **The UM Administration focused on eliminating the athletics deficit by applying pressure to increase revenues and not on controlling expenses. They relied on the athletic department to develop reasonable plans and monitor their own budgets (decentralization).**
- **The president focused on pressuring the athletic director to increase revenues through fundraising and did not adequately address the issue of controlling costs.**
- **Because the same external audit firm audits both the GSA and the UM athletic department, \$216,000 of the \$381,000 in accounting errors reported in FY03 should have been reported by athletics in FY02.**

The Panel Chair, Diane Barz, assigned members to subcommittees. Subcommittees did much of the review work and interviews. Subcommittee membership included:

General Panel Findings: Diane Barz, Michael Mayer

Procurement Card Review (ProCard): Wayne Capp, Rich Ochsner

Student Perspective: Emily Jones

Budget : Mark Bruno, Trudy Collins, Pam Joehler

Audit and Accounting: Patricia Collins, Jim Salisbury, Laurie Neils

Additionally, the panel was fortunate to be able to use the expertise and knowledge of University System Legal Counsel, LeRoy Schramm, and the administrative talents of Cathi Darrington.

The following is a list and brief description of the panel recommendations:

**Auditing and Accounting:**

- ✓ The UM President should re-assess the risk inherent in the financial operations of the athletic department. Therefore, he should communicate clearly his expectations of enhanced involvement and scrutiny over the financial activity of UM Athletics.
- ✓ The level of risk in athletics necessitates a closer review of special purpose audit reports and action plans.
- ✓ The Board of Regents should review the relationship of the GSA and UM.
- ✓ The President should provide written guidelines as to what is acceptable for campus personnel to seek reimbursement or pay for out of UM Foundation accounts.
- ✓ The UM Administration should monitor and control both the revenue and expenditure portions of the athletic operating budget throughout the fiscal year. The President should provide a realistic funding package for athletics that includes adequate institutional support.
- ✓ The Regents should review the revenues and expenses related to concessions, royalties, and collegiate licensing at UM to determine if adequate profits are being realized and subsequently allocated to the athletics budgets.
- ✓ The UM should establish and monitor a receivable from GSA for the amount of pledged scholarships donations for the fiscal year. GSA should establish a corresponding

payable. These two entities should communicate with each other to make certain they are in agreement on the amount outstanding.

- ✓ The Panel recommends that the Board of Regents ask the Legislative Auditor to review the structure, functions, and staffing of the internal audit departments. The Board of Regents may want to consider establishing an audit oversight committee.
- ✓ The special purpose audit (NCAA) of athletics should be completed by December of each year and submitted to the Office of the Commissioner of Higher Education.
- ✓ The new athletics fiscal officer should develop a standard reporting format for athletics and develop automated systems that monitors revenue and expenses from all sources, including GSA and Foundation funds.
- ✓ All game guarantees should be contractually documented and recorded on the University's accounting records.
- ✓ The Board of Regents and UM should analyze the costs incurred versus the value received for trade-outs, comp tickets, and courtesy cars. Although the amounts seemed excessive to Panel members, we are not experts and do not have a reasonable basis for comparison.
- ✓ The new athletics fiscal officer should report to the athletic director as soon as is practicable. The Office of Administration and Finance should provide increased level of monitoring and oversight of athletics finances.
- ✓ Once the Board of Regents has approved a deficit reduction plan for UM, the University should review actual variances from the plan at least semi-annually.
- ✓ The UM should ensure that Athletic Department employees comply with policies and procedures regarding ProCard use and ensure that only appropriate travel and university related expenses are charged to the ProCard.
- ✓ The University should re-evaluate the number of ProCards issued in the Athletic Department.
- ✓ We recommend that the Regents require a thorough audit of UM Athletic Department ProCard charges for FY02 through FY04.

**Budget:**

- ✓ The athletics fiscal officer should develop an operating budget plan in sufficient detail to evaluate the reasonableness of its assumptions. Input from coaches and other athletics department staff should be solicited and used in developing the budget. The budget should include all funding sources.
- ✓ The athletics fiscal officer should provide timely and meaningful budget status reports to athletic department management and head coaches on a regular basis. The budget status report should incorporate all funding sources.
- ✓ The athletics fiscal officer should not be responsible for advance travel for games.
- ✓ The athletic director should ensure that the operating budget is prepared in sufficient detail, with input from coaches and staff, and that includes all funding sources. The athletic director needs to be attentive to budget variances, provide appropriate oversight over the athletics fiscal officer, and communicate frequently with the President and the Office of Administration and Finance.
- ✓ Even though budget responsibilities are decentralized, given the history of athletics deficits, the Office of Planning, Budgeting, and Analysis (OPBA) should provide more thorough analysis of athletics budgets. The President and VP must develop comprehensive analysis tools that allows for better monitoring of the athletics fiscal operations for Administration and Finance.

- ✓ The President should have required the athletic director to be more accountable for presenting an operating plan in sufficient detail for OPBA to analyze and should have investigated when the athletic director and fiscal manager did not respond to OPBA’s requests for information regarding the athletics budget. The President should have required the athletic director to not only raise revenues, but to control costs.
- ✓ The Board of Regents should engage in public discussion and feedback on the athletic reports in November each year. The policy on negative fund balance should be re-evaluated to determine if the current policy provides disincentive to acknowledge deficits and problem areas.
- ✓ The University should evaluate the number of courtesy cars that are provided to the athletic department.
- ✓ Head coaches should be more involved in the budget development process and should receive monthly-standardized budget assessment reports.

A detailed description of these recommendations and the Panel findings may be found in the “**Findings & Recommendations**” section of the report.

The following grid is provided to demonstrate how each finding and recommendation fits into the tasks assigned by the Commissioner:

<b>1. Deficits and budget controls</b>		
Number	Name	Recommend or Finding or Both
7	The Athletic Structural Deficit	Both
8	Concession, Trademark Licensing Royalties, Collegiate Licensing	Both
11	Interview with Chuck Maes	Finding
24	Fiscal Officer Responsibilities in Budget Development	Both
25	Fiscal Officer Responsibilities in Budget Monitoring	Both
27	Athletic Director-Fiscal Management Responsibilities	Both
28	Administration & Finance-Athletics Budget Review	Both
29	Interview with Administration and Finance Staff-Athletics Budgets	Finding
33	Courtesy Cars	Both
34-37	Budget Subcommittee interviews - Athletic Department Employees	Both
39	Interview with Sylvia Weisenburger	Both
<b>2. Accounting errors, practices and controls</b>		
Number	Name	Recommend. or Finding or Both
1	UM Decentralized Business Service Functions	Finding
3, 3.1	Review of Special Purpose Audit Reports	Both
4, 4.1	Interview with UM Internal Audit	Finding
9	Review of Accounting Error	Both
10	Interview with Rob Edwards, Former Athletics Fiscal Officer	Finding
17	Professional Background and Hiring of Rob Edwards	Finding
12	Interview with Auditor from Legislative Auditor’s Office	Both
15	Game Guarantees	Both
16	Trade-outs, Comp Tickets, Courtesy Cars	Both
18	Interview with Sylvia Weisenburger	Finding
21	Continuing review by Panel	Both

14	Athletic Department Financial Reports	Both
40	Ticket Processing Fee	Finding
<b>3. Accuracy of previous information provided to the Board of Regents</b>		
Number	Name	Recommend, Finding or Both
13	Time Line of Discovery of Accounting Errors	Both
20	Deficit Reduction Plan	Both
30	The President-Fiscal Management of Athletics Department	Both
41	The Football Team's Trip to Maine	Finding
<b>4. Assessment of problems in terms of intention, awareness by chain of command</b>		
Number	Name	Recommend. or Finding or Both
2	Athletic Reporting Structure	Both
28	Administration & Finance-Athletics Budget Review	Both
30	The President-Fiscal Management of Athletics Department	Both
31	The President-Fiscal Management of Athletics Department	Finding
23	Student Athletic Fee	Finding
32	Board of Regents-Fiscal Management of Athletics	Both
<b>5. Review of spending guidelines and policies for both public and private funds</b>		
Number	Name	Recommend. or Finding or Both
22	Athletics Department ProCards	Both
33	Courtesy Cars-Ticket Trade-outs	Both
<b>6. Recommend general areas in which the University and the Board of Regents should change the system, processes, or policies that allowed these problems to occur.</b>		
Number	Name	Recommend. Or Finding or Both
19	New Fiscal Officer	Both
20	Continue Review by panel	Recommend
22	Athletic Procurement Cards	Both
26	Fiscal Officer Responsibilities-Insufficient Time Spent on Fiscal Management	Both
42	USA Today Article "Athletic Spending Grows as Academic Funds Dry Up"	Finding
<b>7. Relationship to Affiliated Organizations (added by Panel)</b>		
Number	Name	Recommend. or Finding or Both
5	Relationship of The University and GSA	Both
6	The UM Foundation and Opportunity Fund	Both
38	Virtu Consulting Contract	Both