

Office of Internal Audit
Fiscal Year 2018 – Quarter 3 Status Report
January 1, 2018 through March 31, 2018

Internal Audit engages in three primary activities – assurance audits, advisory services and investigations. The focus of our efforts is to assist management in the proper discharge of their duties by providing evaluation and feedback of internal control systems and operations.

This quarterly report includes update on the status of the current fiscal year audit plan and reports issued in the period. Current staffing includes CAE, Audit Manager, Sr. IT Auditor and three field auditors.

FY 2018 Audit Activity			
<i>From FY 2018 Audit Plan</i>	Status	<i>Completion of FY 2018 Audit Plan</i>	
Continuous Audits – various	<i>E</i>	C – Completed	0%
HIPAA Readiness – Consulting	<i>E</i>	E – Engaged	91%
IT – Secure Configurations, Mobile Devices	<i>E</i>	N – Not yet engaged	9%
IT – Wireless Access Control	<i>N</i>		
IT – Network Ports, Secure Configurations on Network Devices	<i>N</i>	Investigations – completed to date	6
		Investigations – pending	10
		Investigations – closed in prelim	4
		<i>FY 2018 Investigations</i>	20
Housing & Dining Maintenance	<i>E</i>		
Property Inventory	<i>E</i>		
Motor Pool	<i>N</i>		
Fixed Price Agreements	<i>E</i>	Internal Advisories	114
WSU Trademark	<i>E</i>		
Dept – Teaching & Learning	<i>N</i>		
Special Course Fees	<i>E</i>	<i>Revision to FY 2018 Audit Plan:</i>	
Purchasing – Dept Orders	<i>E</i>	Removed	
Effort Certification	<i>E</i>	Added	

External Audit activities:

Auditor	Scope	Status
WA Ethics Board	Investigations: 3	Engaged
State Auditor (SAO)	FY 2016 and FY 2017 Accountability	Engaged
State Auditor (SAO)	Whistleblower: 1	Engaged
USDA–FAS CRME	Foreign Ag Services – Civil Rights Management Evaluation	Engaged
USDA–NIFA	CAHNRS Research and Extension – Civil Rights Evaluation	Engaged
Vendor	Microsoft SQL Assessment	Complete

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The following opinion methodology is applied to assurance (planned) audits:

Satisfactory	Control Environment (CE) is adequate
Some Improvement Needed	CE is adequate but some exceptions noted
Major Improvement Needed	CE not adequate and significant exceptions noted

Summary of Investigations:

Case	Assertion	Disposition
I 18-12P	1. Employee misused state resources including time and funds by traveling for private benefit.	1. Closed in prelim - insufficient evidence to predicate investigation
I 18-19P	1. Employee misused state resources (computer/network) for private gain/inappropriate activities.	1. Closed in prelim - employee dismissed
I 18-11	1. Employee misused state resources (facilities, equipment) for private gain.	1. Substantiated
I 18-13	1. Employee misused state resources (funds as related to travel) for private gain/inappropriate purposes.	1. Not substantiated

Summary of Planned Audits:

P 17-04, Athletics Tickets

Some Improvement Needed. The purpose of the audit was to evaluate processes related to the allocation, sales, use and monitoring of athletic tickets. Scope was limited to activities surrounding Fall 2016 Football. We found concerns that the overall environment, at the time of fieldwork, did not contribute to a strong culture of compliance and accountability. Recommendations were issued as related to contract oversight, training and education, football attendance data, compliance for and control of tickets including complimentary passes, and cash handling.

**Washington State University
Office of Internal Audit**

Fiscal Year 2018 Audit Plan

Heather R. Lopez, CIA, CFE
Chief Audit Executive
August 31, 2017
Revised March 14, 2018

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Introduction

*Revision to Plan – March 14, 2018

All revisions are in track changes and red font. A revision to the audit plan is deemed necessary as a result of evaluation of progress on activities occurring in the first half of the fiscal year. The following significant activities have impacted the Internal Audit team's ability to engage audits within the current approved audit schedule:

- Engagement of external audits and investigations has consumed a significant amount of FY 2017 as well as FY 2018 audit hours, putting FY 17 audits behind schedule and encroaching on FY 2018 activities. In FY 2018 alone, the contingency budget for external audit liaison activities has been exceeded by 299 hours through February. This is an impact to the IT Auditor and IT audits given the vendor audit required his expertise to ensure appropriate facilitation. This is also an impact to other staff given there are three more external audit activities (slated to engage March–June) promising to divert a significant amount of time to coordinate and facilitated the reviews.
- More referrals and complaints than usual have diverted staff attention from planned audit activities – beyond the hours reserved in contingency. To date, there are 19 investigations (11 total in the prior year) and efforts in investigations have exceeded contingency, to date, by 335 hours.
- An external review by three different external agencies (State Auditor's Office, NASA and Department of Energy) into the same two program activities have found some concerns that need further evaluation. It was determined an internal audit of controls in the area of effort on grants would be prudent and must be engaged in the current fiscal period.

Resulting impact (reflected in tables below):

- Add assurance audit – effort certification, 360 hours
- Remove two IT audits – CSC 15 and CSC 9/11, (572) hours
- Remove one assurance audit – Dept Teaching and Learning, (344) hours

The Office of Internal Audit assists the University and management in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, internal control and governance processes. These responsibilities include: performing reviews to provide reasonable assurance internal controls are adequate to safeguard resources, provide integrity and reliability in reporting, ensure adherence to compliance requirements and provide for efficiency and effectiveness in operations; assisting in the deterrence of fraud; advisory services that offer recommendations on systems of internal control and operations; and, advisory services to guide employees in the proper adherence to the Ethics in Public Service Act.

The Chief Audit Executive (CAE) reports functionally to the President, and effective October 2017, administratively to the Vice President Finance and Administration. In accordance with the audit charter, the CAE is responsible for developing a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan with periodic updates to the President for review and approval. In accordance with the charter and the Board of Regents Bylaws, the CAE also provides quarterly updates to the Finance and Compliance Committee regarding the audit plan and resource requirements, audit performance relative to the plan, and significant risk exposures and control issues, including fraud risks, governance issues and other matters of importance to senior management and the Board.

The purpose of the Audit Plan (the Plan) is to outline audits and other activities the WSU Office of Internal Audit will conduct during Fiscal Year 2018. The CAE is authorized to make changes to the Plan, as deemed necessary, to address changes in identified risks. The Finance and Compliance Committee and the President will be notified of any significant additions, deletions or other changes to the Plan.

The types of projects listed in the Plan demonstrate the variety of approaches Internal Audit takes to address its mission of assisting the University achieve its goals and objectives in an efficient and effective manner. Deliverables for audits and projects may include audit reports, technical assistance, data analysis, and other written and verbal communications.

Risk-based methodology

Audits and projects in the Plan were primarily identified through a University-wide risk assessment process designed to evaluate risks to the University's strategic goals and initiatives. We interviewed key management to understand their views of the risk environment and analyzed data across University accounts, areas and functions. We considered other risk inputs including recent audit results, external examinations, industry risk areas and alerts from sponsoring agencies and stakeholders. We also surveyed a population of 688 members of the University management community. This is a high-level risk survey that yielded a response rate of 47%. This year's risk survey offered more opportunity for write-in comments, which prompted over 250 unique comments related to the University's culture, environment, and management's thoughts on areas in need of improvement.

When we begin our audit planning and assessment activities we start with an audit universe. That universe includes auditable units, departments, centers, functions and operations. The

universe is constantly evolving as University operations and strategic foci change. Each year, we update the universe periodically based on results of audit engagements (internal and external) and results of risk surveys and interviews weighted against defined risk factors. At audit planning date there were 357 auditable areas in the universe. Applying weighted averages to the risk factors we ranked the top areas. Audit resources limit the number of audits that may be engaged during the year so risks are ranked in order of priority and against resource availability, with consideration of audits recently engaged or mitigating activities in place.

Occasionally, a risk area included in the Plan may have technical concerns beyond the expertise of the audit team. If additional resources (outsourced or co-sourced) are required to engage any audits, the CAE will work with the President to evaluate those needs. There are no audits included in this year's Plan that will require outsourcing, however, technical tools may be required to complete one of the Information Systems/Information Technology (IT) audits. We do have an area for consideration of external engagement as listed below.

The specific scope of each audit in the Plan is determined once the audit team completes its audit planning process for each engagement. The engagement planning process includes consideration of the risk management, control, and governance processes in place to ensure:

- Accountability systems are in place to ensure organizational and program missions, goals, plans and objectives are achieved
- Risks are appropriately identified and managed
- Information is accurate, reliable and timely
- Employee actions are in compliance with policies, procedures and applicable laws and regulations
- Operations are effective and efficient
- Resources are acquired economically, used efficiently, and adequately protected

Planned Audits for Fiscal Year 2018

The following lists the audits included in this year's Plan. They are not listed in rank order as some audits of higher ranking may not be available for engagement until later in the fiscal year due to client scheduling or other activities.

Our efforts are to ensure broad coverage of audit activity, including on-site audit engagement at all campuses. Although resources do not permit on-site review every year,

the continuous audit program ensures continued test of controls in functional areas engaged at all campuses and sites.

The following audit projects include test of controls and transactions at multiple locations unless a specific location is noted:

<p>Continuous Audit Program</p>	<p>The continuous audit program continues to grow each year with the addition of new risk areas for test of controls. Data is pulled at intervals throughout the year from which test selections are made in the identified areas. For most audit subject areas, auditors perform a high-level review of all transactions for the scope area and period and select transactions based on high-risk criteria. At the end of the year, we have performed some form of analysis on all transactions in the defined area. This approach to audit makes better use of available audit resources while ensuring greater coverage of high-risk, usually decentralized functions or activities. Tests are applied to transactions regardless of physical location and usually cover all or most locations. The audit areas included in this year's continuous program:</p> <ul style="list-style-type: none"> • Purchasing card • Cash receipting • Travel • Fuel • Petty cash
<p>HIPAA Readiness – Consulting</p>	<p>This is a consulting engagement conducted in response to both identification of risk and request from management for a comprehensive assessment of readiness for compliance with the Health Insurance Portability and Accountability Act (HIPAA) of 1996, updated by the HITECH Act of 2009. Audit will work with IT management from the WSU Spokane campus, the Colleges of Pharmacy, Nursing and Medicine, and the University Chief Information Security Officer to develop a scope and objectives for the engagement. A major focus will be evaluating security controls of the University's electronic medical record systems and the way that electronic personal healthcare information is transmitted, stored and processed.</p>
<p>IT – Secure Configurations for Hardware and Software on Mobile</p>	<p>According to the five year IT plan this area will focus on SANS Center for Internet Security (CIS) Top 20 (v 6.1) Cyber Security Controls (CSC) 3.</p>

<p>Devices, Laptops, Workstations and Servers</p>	
<p>IT—Wireless Access Control</p>	<p>According to the five year IT plan this area will focus on SANS Center for Internet Security (CIS) Top 20 (v 6.1) Cyber Security Controls (CSC) 15. Although Central ITS has a concentrated focus on the top five control groups they have agreed all controls are important to evaluate. The top four control groups had been evaluated in the first two years of the five year audit plan.</p>
<p>IT— Limitations and Control of Network Ports, Protocols, and Services</p> <p>Secure Configurations for Network Devices such as Firewalls, Routers, and Switches</p>	<p>According to the five year IT plan this area will focus on SANS Center for Internet Security (CIS) Top 20 (v 6.1) Cyber Security Controls (CSC) 9—Limitations and Control of Network Ports, Protocols, and Services and CSC 11 Secure Configurations for Network Devices such as Firewalls, Routers, and Switches.</p>
<p>Housing & Dining Maintenance Services</p>	<p>Prior audit of Housing Services noted strong internal controls over establishing housing rates, revenue collection and reporting. However, maintenance services were outside the scope of that audit. The H&D unit receives approximately 15,000 work requests per year. This audit will focus on the work request system, inventory and management of supplies, materials, tools, and reporting.</p>
<p>Property Inventory</p>	<p>This area was last audited in 2008. This audit will evaluate the University's process for tracking, managing and accounting for capitalized property and equipment.</p>
<p>Motor Pool</p>	<p>Audit scope includes review of controls over the University's vehicle fleet, including acquisition, maintenance, use management and disposition.</p>
<p>Fixed Price Agreements</p>	<p>Per BPPM 40.27, 'Fixed price agreements are defined as agreements for which the sponsor provides a set price for the work.' This audit will evaluate processes to ensure fixed price agreements are properly set up, managed and reported.</p>
<p>WSU Trademark</p>	<p>The University's name and logo are the exclusive property of the institution. Any use of either in claims or advertisements must be done</p>

	through appropriate approval processes. We will review processes in place to ensure the University maintains appropriate control over this intellectual property.
Department Review: Teaching and Learning	The Department of Teaching and Learning, within the College of Education, holds academic, instruction and research activities across all campuses except Everett. We have not engaged any focused audits within the College for at least ten years. This review will be an evaluation of key fiscal processes including payroll, purchasing, travel, inventory, and service centers. This review does not include evaluation of programmatic activity.
Course Fees	Special course fees, including laboratory fees, may be assessed and charged to students in addition to tuition and service activity fees. We will review the processes in place for determining fees, charging and collecting to ensure they are necessary, supported, complete and accurately reported.
Purchasing – Department Orders	The department order is one method of purchasing available to department personnel, though there are restrictions for when this method may be used. We will review controls over purchases made through this process to ensure they meet applicable requirements for purchasing and are properly approved and supported.
Effort Certification	As a result of an external review, it was determined an evaluation of internal controls over effort certification and salary transfer activity was warranted, overall, and as specific to certain granting agencies.

Other Types of Audits/Activities

Follow-up Audits

Audits and formal investigations yielding a report with actionable recommendations will have a follow-up review conducted within the time frame management indicates corrective actions will be implemented to evaluate response and adequacy of corrective action.

Advisory Assistance/Consulting

Internal audit staff may participate and/or assist University members in developing and maintaining strong governance, risk management, and control processes and systems. Activities may include serving as a member of a work group or committee, and providing consultative advice on financial, operational and compliance issues. Auditors also assist as audit liaison between the University and external audit groups.

Ethics Advisor

The Chief Audit Executive is the University's Ethics Advisor. In this role, she serves as liaison between the University and the Washington State Executive Ethics Board, providing to University members guidance on ethics rules and advising on policy statements.

Note: WSU's Office of Internal Audit follows the Standards promulgated by the Institute of Internal Auditors (IIA). New, effective January 2017, Standard 1112 CAE Roles Beyond Internal Auditing states, '*Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence and objectivity.*' The CAE's role as ethics advisor and the responsibilities related to promoting ethics are governance activities outside of internal auditing. Internal Audit is charged with evaluating the effectiveness of governance processes including the ethics and control environment. If the CAE holds responsibility for some of the governance processes to be evaluated then independence and objectivity may be impaired without appropriate safeguards.

Issue: Ethics and culture continue to rank high in risk surveys and during interviews with management. It is evident this area needs improvement.

Recommendation: It is recommended the University evaluate alternative processes to obtain assurance related to the effectiveness of the ethics program and its contributions toward a strong control environment.

Enterprise Risk Management

The University and its units perform risk assessments in various forms and schedules. A formal Enterprise Risk Management (ERM) assessment has not been implemented in recent years. An ERM strategically positions the University to better manage and direct resources to activities that are aligned with strategic goals and to mitigate risks to meeting institutional objectives. For an ERM to work effectively and provide value, the process needs top down ownership, commitment and engagement. Internal Audit is well-positioned to help facilitate the process given our experience in risk, assessment and broad engagement across all University units and operations. Internal Audit cannot own the process. The CAE will partner with the Vice President of Finance and Administration to develop a plan for a robust, value-added and sustainable ERM program.

Investigations

Internal Audit reserves time in the audit budget for unplanned activities including investigations of misuse of funds or resources, malfeasance, misconduct, and ethics violations. Some investigations may be performed in collaboration with other investigatory

units including Human Resource Services, Office for Equal Opportunity, Office of Research, Office of the Provost, Environmental Health and Safety, and the WSU Police Department. Occasionally, complaints of employee wrongdoing filed with the State Auditor’s Office via the Whistleblower program or the Citizen Hotline may be sent to Internal Audit for engagement or coordination.

Audit Liaison

Internal Audit serves as the coordination point for some external auditors including the State Auditor’s Office, the Executive Ethics Board and federal granting agencies. Liaison efforts include verifying purpose, authority and scope of audit, ensuring appropriate management is involved in audit activity, attending entrance and closing meetings, and evaluating results to determine if they are 1) accurate representations of activity and 2) indicators of systemic concerns that may need addressed with senior management.

Audit Resources

The Plan for Fiscal Year 2018 is based on a professional staffing complement of six auditors: three staff auditors, an IT auditor, an audit manager, and the Chief Audit Executive. For the current fiscal year there are no resources to retain a student intern.

Approximately 70% of Internal Audit’s available resources are committed to the completion of planned audit projects and follow-up audit procedures. The remaining 30% is held as contingency for unplanned activities such as consulting, liaison activities and investigations. Available resources include all workable hours per FTE less reserves for employee professional development, administrative projects (e.g. internal quality improvement projects) and internal administration, including issues pertaining to personnel.

We have a few audit projects from prior year audit plans initiated but not yet completed. It is normal audit process to have a few audits begun in the last few months of the year completed and issued in the following year. Overall goal is to engage and complete 80% of planned audit areas and if time permits, all audits will be engaged.

Allocation of current year resources:

Continuous – Purchasing card	580
Continuous – Cash	400
Continuous – Travel	276
Continuous – Fuel	256
Continuous – Petty Cash	256
Consulting – HIPAA Readiness WSUS	345

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H&D Maintenance	560
Property Inventory	314
Motor Pool	294
Fixed Price Agreements	336
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Special Course Fees	304
Purchasing – Dept. Orders	338
Effort Certification – EAAs	<u>360</u>
	adjusted 5032
Investigation	100
Advisory/Liaison/QAR	425
Follow-up	<u>360</u>
	<u>885</u>
Estimated/Allocated Hours	6492

Authority and Criteria

Auditing Standard

The WSU Office of Internal Audit follows standards promulgated by the Institute of Internal Auditors (IIA). In accordance with Standard 1000, the purpose, authority, and responsibility of the internal audit activity is formally defined in the audit charter. The charter includes the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The charter is periodically reviewed for revisions and any changes presented to the President for approval as required.

Standard 1300 requires the CAE to develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The QAIP includes internal assessments such as regular supervisor monitoring of projects and activities and a newly implemented internal team member assessment of completed projects. External assessment includes a peer review to be conducted at least every five

years. WSU Internal Audit is scheduled to have an external peer review conducted in the Fall of 2017.

Internal Control Framework

The University follows the COSO control framework and its guiding principles in the establishment of internal controls. The state of Washington has provided greater direction in the implementation of COSO for state agencies within the revised (effective July 1, 2017) Chapter 20 of the State Accounting and Administration Manual. Internal Audit strives to apply the COSO framework in tests of internal controls and provide appropriate direction and guidance to individuals.

April 13, 2018

Pat Chun, Director of Athletics
Washington State University
Bohler Gym, Room 110
Pullman, Washington 99164

Dear Mr. Chun:

Following is the final report for our audit of Athletics Tickets. Management's response has been included in the report. We concur with the actions planned or already implemented.

In accordance with the timelines proposed by management we will perform follow-up review of each issue to determine whether corrective actions have been taken and have achieved the desired effect.

We appreciate the cooperation and assistance provided by your staff during this review. Please let me know if we can be of further service.

Sincerely,



Heather Lopez
Chief Audit Executive, Internal Audit

cc: Dr. Kirk Schulz, President
Danielle Hess, Division Chief, AAG
John Johnson, Sr. Associate Director of Athletics
Matt Kleffner, Sr. Associate Director of Athletics/CFO
Matt Zollinger, Assistant Ticket Office Manager

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EXECUTIVE SUMMARY

The audit of Athletic Tickets was included in the Fiscal Year 2017 Audit Plan as a result of risk assessment. The purpose of the audit was to evaluate processes related to the allocation, sales, use and monitoring of athletic tickets.

Ticket sales from sporting events represent a significant source of revenue for Athletics. Total ticket revenue for calendar year 2016 was \$5.5 million. Because the majority of ticket sales are associated with football (\$4.9 million - 88% of all), the scope of our audit was focused on this sport and, specifically, the internal controls in place during the fall 2016 football season. During preliminary planning we found the issue of complimentary tickets was an extensive part of the program, thus, a review of internal controls over this area was included in the audit.

Our audit objective was to evaluate whether internal controls as developed, approved and implemented provide reasonable assurance to ensure:

- The University is in compliance with applicable rules and regulations (including NCAA and University) related to athletic tickets and passes
- Use of complimentary tickets is monitored, reviewed and reconciled timely
- Accountability, accuracy and completeness over ticket sales and receipting activity
- Tickets provided for resale to visiting teams are accounted for and visiting teams are billed accurately

Conclusion

Overall, we concluded internal controls were not adequate to meet objectives and some improvement is needed.

The environment within Athletics, as it existed during the scope period and through the end of fieldwork, did not support a culture of compliance or fiscal responsibility. In general, units within Athletics involved with ticket sales and use of complimentary tickets were working independent of each other without adequate communication or reconciliation of activities. Completeness and accuracy of records in this environment made a full accounting of football tickets not possible for this audit. Transparency, communication, training, policies and processes all need improved as related to tickets.

In addition to comments pertaining to overall control environment, detailed descriptions of issues in the following areas, including our recommendations and management's responses, are provided within this report:

1. **Oversight and Management: Media Contract**
2. **Training and Education: Compliance and Ethics**
3. **Reporting: Football Attendance Data**
4. **Compliance and Accountability: Complimentary Tickets**
5. **Compliance and Ethics: Athletics Employee Tickets**
6. **Asset Controls: Cash Handling**

BACKGROUND

Washington State University (WSU) Intercollegiate Athletics (Athletics) strives to provide a "Transformative Student Experience" for student athletes as well as to positively promote the University via athletic programs and events. Athletics employs around 200 employees to help build and manage its programs.

Tickets to sporting events are managed and sold through the Athletics Ticket Office (Ticket Office). The Ticket Office reports to the Deputy Director who reports directly to the Athletic Director. The Ticket Office has four full-time employees, one intern and approximately 25-30 part-time student employees and manages all sporting event ticket sales throughout the year. They also manage some aspects of complimentary tickets but do not have the authority to determine how many complimentary tickets are issued and to whom.

For football, there are various types of tickets dependent on the location of the seats and sections, including lower bowl, club, loge boxes, suites, etc. Some seats require a donation to the Cougar Athletic Fund (CAF) along with the ticket price. The Ticket Office in conjunction with the CAF and Athletics Event & Facility Operations manage sales and/or issuance of RV passes and media passes.

Sporting event tickets can be purchased at the Ticket Office in person, online or through the mail and can be paid for via check, cash, credit card or payroll deduction (for University employees).

Football ticket sales account for the largest source of ticket revenue of all athletic competitions within Athletics. Other types of revenue streams come from Conference Distribution which includes Media Rights (together these account for approximately one half of total revenue), Direct Institutional Support, Contributions, NCAA Distribution, Royalties/Advertising, Sports Camp Revenue, Endowment Distribution and Bowl Revenue.

	Football Ticket Sales	Total Ticket Sales	Total Athletics Revenue
2016	\$4,900,000	\$5,500,000	\$58,800,000
2015	\$6,200,000	\$6,800,000	\$54,100,000
2014	\$5,000,000	\$5,900,000	\$54,400,000
2013	\$5,700,000	\$6,800,000	\$47,200,000

2012	\$4,400,000	\$6,500,000	\$42,700,000
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(Years 2015 and 2013 include Apple Cup in Pullman)

Martin football stadium has a total of 32,720 seats at various price levels, with season tickets ranging from \$210 for end zone to \$2,600 for a suite (suite ticket is \$300 per seat plus a required CAF donation of \$2,300). Calculating the number of seats available in each zone times the ticket cost only, for the 2016 football season, with seven home games, there was a potential for \$7.8 million revenue from tickets if all seats sold at season ticket prices. This revenue estimate does not include the student section of 8,257 seats since students purchase student passes that allow them entry to all sporting events for the year and the revenue is not divided up by sport. This estimate also does not include the amounts associated with standing-room only tickets when the game is sold-out or the revenue derived from those tickets that have a required donation to CAF attached to the price tag (this would have yielded an additional \$6.4 million but posted as revenue for CAF).

Athletics does not receive total potential revenue for any single football game or football season due to a number of factors including the use of complimentary tickets and ticket discounts – thus not all available seats and tickets are sold, but rather, some are given away, exchanged for other services or discounted. Complimentary tickets are used for Prospective Student Athletes (PSAs), donors, vendors, coaches, media, athletes, and other strategic partners and represent a large portion of tickets that are not “sold”. Some of the relationships with vendors result in Athletics receiving services that would otherwise be paid for, thus the complimentary ticket is treated as a form of payment for services. Complimentary tickets as well as discounts are also provided to Athletics’ staff and coaches.

The largest grossing game in 2016 was the Apple Cup against University of Washington which was sold out and grossed just slightly over \$1 million – a first ever for WSU football to reach the \$1 million mark. Stadium capacity is 32,720 seats – of those 8,257 are reserved for students, leaving 24,463 available for other than students. For the Apple Cup game, the \$1,024,755 came from the recorded sales of 20,518 tickets including single game tickets, season tickets and discounted tickets. There were also 4,272 tickets (17% of available) pulled out of sales for complimentary or administrative hold. The total of all tickets is greater than number of seats by 327 – this game was oversold, not uncommon in FBS (Football Bowl Subdivision).

As a Division 1 program, Athletics must comply with all applicable NCAA by-laws regarding ticket use at all times. They are responsible to provide sufficient training to employees, athletes and

boosters regarding appropriate use. In addition, Athletics must comply with Washington State RCWs, WACs and IRS regulations; and be mindful of the Washington State Executive Ethics Board guidance.

The University has a Compliance Office within Athletics to ensure compliance with NCAA regulations. In accordance with their home website, the goals of the Athletics Department Compliance Program are to:

- Control and operate the athletics program in accordance with all applicable NCAA, Pac-12 Conference, and institutional rules to maintain a culture of compliance.
- Monitor all aspects of the University's athletics programs to ensure compliance; identify and report to the NCAA all instances in which compliance has not been achieved; and affirm that appropriate corrective actions are taken.
- Help all fans and friends of Washington State's athletics program comply with all applicable NCAA, conference, and institutional rules.

The Compliance Office reports directly to the Athletic Director and also has a reporting channel to the President through the Faculty Athletics Representative. The Compliance Office currently has five staff employees and a vacant Director position.

AUDIT SCOPE AND METHODOLOGY

The scope of this audit included a review of Washington State University Athletics' processes related to the allocation, use and monitoring of athletic tickets and a review of controls over ticket sales receipting activities. Tests were performed on transactions occurring during Fiscal Year 2016. Audit fieldwork took place between April 13, 2017 and September 11, 2017, with additional tests performed between January 10, 2018 and February 12, 2018.

During the course of the audit, we visited Athletics' offices including the Business Office, NCAA Compliance Department and the Ticket Office. We interviewed unit/campus personnel and identified and evaluated fiscal internal controls and operating procedures in effect at the time of audit fieldwork.

We tested complimentary tickets processed for the WSU vs. University of Arizona game on November 5, 2016 in the following key areas:

- For student-athletes, coaches, high school and two year college coaches and prospective student-athletes, we reviewed administration and management of complimentary tickets including disposition and review of supporting records.
- Tests also included review of complimentary tickets for Staff, Cougar Athletic Fund, Athletic Director, President's Office, Foundation, Marketing in-kind trades, promotions, volunteers, donated auction tickets and contracted complimentary tickets with IMG and IMG Learfield.
- Similarly, we reviewed administration and management of these complimentary tickets including disposition and review of supporting records.

We tested the process for sale of tickets to visiting teams, return and resale of unused tickets and related invoicing.

We performed a cash count of the Ticket Office Till Fund and tested to determine if sales and receipting activities are operating within University policies and procedures.

We reviewed training records to ensure Compliance and Ethics training is provided as required, attendance monitored and content as related to sales, passes and tickets is adequate.

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSES

The following lists the issues presented to management. Each issue represents a condition, error or internal control weakness identified during the audit that may have a negative impact on the University's or unit's assets, financial information, and/or ability to comply with laws and regulations or University policies and procedures.

For each issue, we prepared recommendations to address the situation and requested management's plan for corrective action and a timeline for implementation.

We will follow up with management to determine whether corrective action has been implemented in the timeline established for each issue.

Control Environment

Within the audit scope we had an opportunity to observe and evaluate the control environment within which employees and units worked and how they interacted with each other. From this holistic perspective, and as evidenced in the results of tests performed, we found concerns with overall governance specific to the culture of ethics, accountability and communication, some examples of which are as follows:

- The independence and empowered authority of the Compliance Office, in place to protect the University, employees and Student-Athletes from noncompliance, is compromised in that they do not receive comprehensive information on complimentary tickets distributed and therefore cannot assure that Prospective Student-Athletes or Parents are not being provided tickets (which could result in non-compliance with NCAA regulations). Further, for the year tested, they have not been welcome to access preferred seating areas to check on attendees and are not invited to attend away games – again, limiting their ability to provide assurance of compliance as is their responsibility. [According to management, for the years prior to the audit period, the Compliance Director did have an all-access pass and traveled to away games].
- The Ticket Office also is not receiving complete information regarding complimentary ticket recipients and therefore records cannot be updated and usage of tickets cannot be assured. The Ticket Office has requested this type of information and has been denied. Further, the Ticket Office does not receive information on University employee donations made via payroll deduct and therefore they cannot ensure that payment is received in full before tickets are distributed.

- Athletics support staff with expertise in University policies and procedures are not utilized to their fullest extent and are instead circumvented during some decision-making processes.
- University departments also are working independently related to guests invited for games. There is no overall University strategy to assist each department plan and fully utilize available complimentary tickets.
- Employees utilizing Club seats under the guise of Athletics business are not able to adequately document the business purpose – and the environment has been such to allow this activity to occur without consequence.
- Employees have been allowed to double-count spouse and dependents for complimentary tickets.
- The Ticket Office is charged with accounting for and distributing tickets in alignment with University policy; however, other departments or employees attempt to influence decisions that may put Athletics in violation of policy.
- Contracts are written, or entered into verbally, with language tying the University to broader obligations than necessary. Sometimes these are entered into by employees without appropriate authority and/or with disregard to previous or cumulative commitments.
- Relationships with contracted vendors are allowed to influence business operations, rather than ensuring WSU decisions are made by the University.

A positive tone set by Athletics leadership should encourage teamwork, open communication, and respect for authority within departments. Only then can Athletics move to eliminate special privileges, capitalize on talents within departments rather than create workarounds, emphasize importance of compliance training, create appropriate boundaries for outside contracts and provide a forum for conflict resolution when needed.

We encourage Athletics perform an internal review of its organizational structure, reporting lines and authorities (actual and perceived), culture and work climate to identify opportunities for improvement and implement accordingly.

Management response: With the hiring of a new Director of Athletics, and turnover of the Deputy Director for External Operations and the Executive Director for the Cougar Athletic Fund (CAF), all aspects of the organization structure of WSU Athletics are being evaluated and will be restructured as appropriate by the new Director of Athletics. This will include

the reporting lines for the Ticket Office. A new culture and work climate are already being implemented.

With respect to the current reporting structure of the Athletic Compliance office (direct line to the Director of Athletics (AD) and dotted line to the Faculty Athletics Representative (FAR)), WSU Athletics believes this structure is both adequate and effective. Both individuals have indicated and demonstrated their full support of this work environment that allows the Compliance Office to perform their duties with high standards and in an unbiased and highly involved approach. This structure is consistent with many of our Pac-12 and Power 5 peer institutions.

1. Oversight and Management: Media Contract

WSU Athletics had entered into a contractual relationship with IMG (formerly ISP) in September 2006 for the purpose of broadcasting Athletic events, developing sponsorships, selling advertising, marketing Athletic events, etc. This contract (Contract #19077) has gone through a number of amendments since then with some amendments resulting in whole new contracts and terms. Each successive amendment has resulted in greater benefits to the vendor not just in terms of dollars but in Athletics relinquishing to the vendor greater strategic control and future rights.

A brief history of the contract and amendments relative to audit scope:

- Initial contract (#19077, 10/13/2010) provides IMG:
 - 600 football season tickets each contract year
 - 1,500 to 1,700 individual game tickets (depending on the number of home games) [Tickets to other sporting events are also provided to IMG but were not reviewed during this audit as the focus was on football]
- Contract (#19262, 6/21/2011):
 - allows IMG to provide and rent cushioned stadium seats ('seat backs') for \$5.00 per game or \$30 for the season if rented before August 1st or \$39 for the season if rented after August 1st
 - provides WSU a guaranteed payment of \$12,500 or 45% of all gross sales revenue related to the seats
- Amendment (Contract #20902, 6/6/2013) in addition to extending terms and current provisions, also gave IMG:
 - exclusive use of one football suite including all tickets, passes and parking passes for all events at Martin Stadium

- 20 club seats for all home football games
- if a loge box was unsold then WSU would provide the loge box, including tickets
- this amendment also extended the terms of the University's agreement with IMG College Seating and executed a new agreement between WSU and IMG College Seating, known as Exhibit C.
- Exhibit C (supersedes contract #19262):
 - increases cost of stadium seat rentals to \$6.00 per game or \$35.00 per season
 - revenue sharing contract where IMG agrees to provide stadium seating and give WSU 45% of gross sales revenue – minimum of \$12,500 removed
- Amendment #1 to Exhibit C (4/22/2016):
 - changes the nature of the contractual relationship whereas before, IMG had agreed to provide stadium seating and give WSU a percentage of revenues, the University is now agreeing to lease (from CAF) 3,500 CAF seats at \$12 each for a total of \$42,000
 - this is now a purchase agreement instead of a revenue sharing agreement –this did not go out to bid and there is no evidence a cost analysis was performed to determine net benefit to WSU of relinquishing seats for sale over rental revenues from seat backs
 - **Management Clarification:** This was part of a larger strategy to fill empty seats by improving the game day experience in lower bowl premium areas which were vacated when our top donors moved their seats up to the premium seating area, and were not backfilled at the rate anticipated by Leadership. WSU Athletics desired to lease the seats from IMG and provide them to donors as an incentive to move into the underserved donor section. Our analysis showed we only needed to secure an additional 84 new seats (in an area with 3,500 seats) with the donation level of \$500 to breakeven financially. This would serve as a reward to those already in this section, and incentivize others to move to this area to fill an open space in our stadium (which also looks better on TV). The fact the demand increased to 4,750 as noted in the bullet below is an indication that we were successful in building demand in these previously underutilized areas.
- Amendment #2 to Exhibit C (establishes own contract, #24797, 5/15/17):
 - increases WSU's purchase commitment from 3,500 seats to 4,750 seats for a total cost of \$57,000

Within this background of contractual amending activities, we found internal controls did not provide adequate oversight. Note the initial IMG contract had been selected for testing in the

FY 2012 internal audit of Contracts (University-wide). Due to the number of issues and recommendations associated with the oversight and controls over this contract, we had, at the time, issued a separate report to Athletics to address the issues. Two follow up reviews were subsequently performed noting some correction of isolated concerns but it is apparent through results of this audit there remain overarching contract management and oversight concerns.

Related audit objective is to determine internal controls were adequate to ensure use of complimentary tickets is monitored, reviewed and reconciled timely. As noted, seats have been provided to the vendor as part of contracted terms, however, audit procedures found the vendor had been provided more tickets than contracted.

Conclusion

Internal controls are not adequate to meet objective. In general, greater consistent oversight is needed over the vendor contract and overall terms to ensure the University's interests are met and met in a transparent manner.

Issue 1.1: Benefits Gifted to Vendor not Supported by Written Agreement

For the 2016 Arizona game IMG received 261 individual game tickets and 931 season tickets (1,192 tickets/seats). Per the written agreement with IMG they are to receive 1,700 single game tickets for the season or approximately 242 tickets per game and also 600 season tickets.

For the 2016 football season the CAF and IMG had a verbal agreement that IMG would receive 331 IMG Tent Party tickets (in addition to the contracted 600 season tickets). These seats were worth \$125 each x 331 for a total value of \$41,375.

In addition to the multi-media agreement, Athletics and IMG also have an agreement which allows IMG to rent seat backs at football games to game attendees. In Amendment #1 to contract C20902, the University agreed to lease from IMG 3,500 seat backs at \$12.00 each for a total expense to WSU of \$42,000. The University then holds the rights to rent the seats out and retain 100% of the revenue. The same contract also noted that, "for the 2016 University football season, IMG College, LLC, University's designated multi-media rights holder, is responsible for all costs associated with the three thousand five hundred (3,500) CAF Seats, which it will provide University during such season, at no cost to the University." Thus, for the 2016 season, the University would not be charged the \$42,000 for the cost (lease) of those seat backs but still may retain revenues derived from renting out to customers.

Based on the limited information we were able to obtain, it is unclear if, for 2016, the University actually received the 3,500 seat backs (valued at \$42,000) for free as provided for in the Amendment or if the additional 331 tickets (valued at nearly \$42,000) given to IMG was a form of exchange. If this were the case, this actually would not net a zero balance for the University in that the University was not to be charged in the first place but then gifted out additional items valuing \$42,000.

To further complicate the issue, the CAF decided that 3,500 seats were not going to be sufficient and that they would need an additional 1,500 seats for a total of 5,000 seats x \$12.00 each for a grand total of \$60,000. The additional 1,500 seats would be provided to CAF donors who donated \$300 or more to the CAF. Once this need was identified, IMG agreed to cover the cost of \$45,000 (so not charge the University) if WSU would pay the remaining \$15,000. The cost to WSU of the additional 1,500 seats would have been \$18,000 so the negotiated amount of only \$15,000 charge may appear to be a deal. The \$15,000 purchase was subsequently approved via e-mail by the Executive Director of CAF.

University policy requires proposed contractual relationships or transactions that would commit University resources of any nature must be reduced to a written agreement. The \$15,000 purchase did not go through the appropriate channels, the transaction was ultimately paid via a confirming requisition.

IMG also received at least six RV Passes from the CAF. RV passes are not included in the contractual agreement with IMG. CAF provided these tickets "in the spirit of being good partners" so that IMG could provide the passes to one of their sponsors. IMG should be utilizing their own resources to perform their work as agreed upon in the contract with the University.

Overall, we found that there is a lack of transparency and accountability surrounding IMG contractual negotiations and transactions.

<i>Recommendations</i>
<i>All proposed contractual relationships or transactions that would commit University resources of any nature must be reduced to a written agreement.</i>
Management Response: WSU Athletics and IMG completed a contract refresh and restatement in September 2017. This contract update put into writing all the verbal agreements and arrangements that had existed up to this point. There is a clear understanding between WSU Athletics

and IMG that all future agreements outside of the current contract will need to be included in a written agreement.

COMPLETION DATE: Completed in September 2017

Only individuals with appropriate contracting authority should be committing University resources. Athletics should reevaluate who holds contracting authority and at what limits and ensure staff are aware of the authorities.

Management Response:

WSU Athletics noted that certain CAF team members had made verbal agreements with IMG which were outside their authority. We used those instances as training opportunities to clarify only WSU employees with contracting authority can make those commitments, and then only to their respective limits. This training will be documented in an email sent to all Department staff by the Athletics Director and the Senior Associate AD/CFO.

The listing of delegated contracting authority is maintained in a file in the Athletics Business Office and on-line at <https://contracts.wsu.edu/DelegateList.html>

COMPLETION DATE: May 2018

Athletics should perform a reconciliation to true up benefits provided to IMG vs benefits received and in accordance with contracted terms, then determine and settle any variances, if any.

Management Response:

On or before May 31st of each year, IMG provides Guaranteed Royalty Amount (Rights Fee) Per section IV.C., IMG also provides a royalty report showing all the calculations of this amount, which includes all adjustments. In May of each year WSU Athletics Business Office, in conjunction with the Ticket Office and CAF Office, will work with IMG to reconcile and true up all benefits provided to either party, to ensure the payment made to WSU Athletics is accurate. Specific attention will be paid to tickets and RV passes provided to IMG and those owed to IMG under the contract. This reconciliation will be documented via email. Results of this effort will be reflected in the royalty report both this year and in all future years.

COMPLETION DATE: May of each year

Issue 1.2: Contract Terms do not Appear Mutually Beneficial

In June of 2013, a Letter of Agreement was signed with IMG which was an amendment extending the terms of the original contract, changing some items in the original contract, adding new items, extending other contracts with IMG affiliates and granting first right of refusal for future services. Although this was an “amendment” it was filed as a separate contract within the University system but did not go through the same rigor and review process a new contract would. Items 17 and 18 of this contract, extended two additional contracts with IMG, one to extend the contract with Collegiate Licensing Company (CLC) and the other to extend the contract with IMG Stadium Seating. The next items, which are also labeled as 17 and 18 give IMG first right of refusal to future services if the University elects to contract out for them: 17 is related to outsourced ticket sales (to go to IMG Learfield) and 18 is related to IMG College Development.

In accordance with the second item 17, in October 2016, Athletics subsequently entered into a contractual agreement with IMG Learfield Ticket Solutions LLC to provide ticket sales services for the University Athletic Events. This contract does not provide clear performance metrics for the vendor to fulfill; they are providing reports on sales, but management has found these to be cumbersome and thus far provide little value.

The second item 18, which provides first right of refusal to IMG College is very vague and unclear as to what the University is committing to. Contract language states, “IMG College Development (to be launched in 2013) will have the first right of refusal on services under terms consistent with comparable properties of similar size and donations.”

Contracts with vendors must be reviewed with due diligence. Contract terms should be clear and avoid ambiguous terms. First rights of refusal should not be agreed to without consideration in return.

Recommendation

Athletics should use caution in entering into any contractual agreements which bind University resources. When outsourcing a number of services with the same vendor or vendor's affiliates, a risk assessment should be performed to ensure that bundling such a large number of services with one vendor does not pose an additional risk to the University.

Management Response:

WSU Athletics agrees that all contractual agreements should be mutually beneficial. While the audit documented some of the areas in which we conceded certain items, it did not include the full context of the negotiations/agreement. It did not include that

this agreement resulted in an extension of the term of the agreement, and IMG providing WSU Athletics with a \$3.5 million video board and sideline ribbon boards.

WSU Athletics also agrees that outsourcing a number of services with the same vendor or their affiliates should be evaluated for risk. It should be noted that during the process of the awarding of our outbound ticket sales agreement, WSU Athletics worked closely with WSU Purchasing in evaluating other companies who provide this service, and determined that IMGL would best meet our needs. WSU Athletics will continue to work with WSU Purchasing to ensure when we contract for services with an existing vendor, we are not incurring additional risk.

COMPLETION DATE: Completed. On going

2. Training and Education: Compliance and Ethics

NCAA Bylaw 2.1.1 states in part, "*It is the responsibility of each member institution to control its intercollegiate athletics program in compliance with the rules and regulations of the Association.*" In order to stay in compliance, athletic programs must develop comprehensive policies and procedures, a comprehensive rules and education program and ensure there are comprehensive monitoring processes in place. Weaknesses may result in failure to monitor or a lack of institutional control infraction levied by the NCAA, depending on the severity.

In addition to NCAA By-laws, Athletics must be in compliance with applicable University policies and procedures and Washington State laws.

The Athletics Compliance Office is responsible for training student-athletes and employees on NCAA by-laws. Athletics Business Office requests all employees review training on Washington State Ethics, which recaps RCW 42.52, Ethics in Public Service, and submit a signed page to document completion. This training is to be completed within two weeks of hire.

The Business Operations Manager reminds employees if they do not complete the training on-time. Completed forms are kept in personnel files.

The audit objective was to ensure the University is in compliance with applicable rules and regulations related to athletic tickets. A sub-objective was to evaluate the adequacy of

training and education provided to members of Athletics to ensure awareness of compliance requirements.

We obtained a list of Athletics staff and a list of eligible student-athletes for FY 2016. Lists of participants in Compliance training (staff, coaches and student-athletes) and Ethics training (staff/coaches) were also obtained and reviewed.

Tests performed to meet objective included review of training materials to determine if staff received training on permissible and non-permissible use of complimentary tickets. We reviewed training material for student-athletes to verify it included information on not selling or exchanging athletic tickets for any item of value to anyone including teammates and other student-athletes. We also reviewed educational email communication and social media sites from Compliance to Athletics employees, student athletes and boosters during scope period regarding compliance on use of tickets to determine if sufficient and reasonable.

We compared the list of student-athletes to the list of participants completing Compliance training. For staff and coaches we judgmentally selected 10 employees to test. We requested records verifying completion of Ethics training and reviewed compliance training they participated in.

Conclusion

Internal controls are not adequate to meet objective.

Issue 2.1: Athletics Lacks Effective Process for Evidencing Compliance Training

Documentation of training has not been formalized. Only some compliance training provided to the head football coach and assistant coaches was documented. Records were not available for all training provided one on one with the previous Compliance Director. Student-athletes appear to be attending required compliance training, but documentation showing this attendance is sometimes missing.

Providing compliance training to coaches, staff and student-athletes is critical for athletes to remain eligible both on a personal basis and institutional basis. NCAA Bylaw 16.2.1.2 specifically addresses complimentary tickets. Student-athletes need to know that they may not receive payment from any sources for their complimentary admissions and may not exchange or assign them for any item of value, including to teammates or other student-athletes.

Not documenting all compliance training provided and attended puts the University in a position where Rules Education, one of the four pillars of Institutional Control described in

NCAA Rules, is performed, but can't be definitively presented showing rules education took place with necessary individuals. Or, compliance training is not occurring, as records are not available, and individuals may unknowingly violate NCAA by-laws.

Recommendation

Compliance Office process for documenting trainings provided and evidence of who participated need improved to ensure all attendees timely certify and provide the date the attendance.

Management Response:

- WSU Athletics agrees that it is important to provide Compliance training to all groups for all relevant training and to document each education session. Please see attached WSU Athletics Compliance Rules Education Program [APPENDIX B.1]. Our new education/training plan will cover a broad range of athletic staff and constituents; while documenting each training session by including material covered and those in attendance.
- To assist with record keeping, we have secured a new compliance software program, ARMS, that greatly enhances our ability to accurately track various compliance related meetings, paperwork and complimentary pass lists and recruiting activity. We have also started filing and documenting regular and unannounced meetings (daily coach's questions) that occur in the compliance suite on a weekly basis with coaches and staff (see attached sign-in sheets [APPENDIX B.2]).
- We plan to provide more regular education on the permissible and non-permissible use of Complimentary Tickets. We will do this through social media, Compliance Scoop Sheet, Coug Notes (new education newsletter for Student-Athletes), at department education training meetings, assistant coaches and head coaches training meetings already conducted in the fall and spring.

COMPLETION DATE: Completed

Issue 2.2: Ethics Training is not Completed by All Staff

Athletics requires ethics training within two weeks of starting employment for all Athletics employees. Employees are to review a PowerPoint presentation of ethics training so they understand potential ethical issues they may encounter while working for the University and be able to use this training as a resource.

Ten out of 54 Athletics employees added since July 1, 2015, some of whom hold key positions, had not completed Athletics mandatory Ethics Training.

By not enforcing ethics training, employees are at greater risk of noncompliance. Training protects both the employee and institution.

Recommendation

Processes should be formalized to ensure all new employees complete Ethics Training within two weeks of hire and procedures implemented for monitoring and follow up of this requirement.

Management Response:

WSU Athletics agrees that attendance at Ethics training is critical for all staff members. Mandatory Ethics Training is scheduled for April 18 and 25 of 2018 and all staff are required to attend as mandated by the Athletics Director. The Attorney General (AG) office will conduct that training in conjunction with Human Resources (HR) to ensure training is tracked. This training will be conducted every 2-3 years.

COMPLETION DATE: April 18th & 25th 2018 and recurring as necessary.

Issue 2.3: Compliance Training and Awareness is Insufficient

Specifically, as it relates to complimentary tickets, the University must educate employees and student-athletes on the permissible and non-permissible use of complimentary tickets to ensure they are not being used for unallowable purposes including going to prospective student athletes/families, or being resold.

Athletics staff may not be receiving sufficient awareness of compliance requirements. Different categories of staff in areas of expertise (including marketing, communications and strength and conditioning) receive some training but a large number of other Athletics positions do not receive basic compliance training and awareness except through portions they may be exposed to in the Weekly Scoop Sheet newsletter and Compliance Office social media sites.

Specifically, this audit included a review of appropriate use of complimentary tickets and we noted only two posts on social media related to complimentary tickets over a year and a half period. Because current Athletic policy provides a number of complimentary tickets to all Athletic staff, employees need to be aware of relative limitations and restrictions. We asked if requirements pertaining to complimentary tickets was provided in the newsletter during test

period, and noted that the only posting that had reference to complimentary tickets was the December 9, 2016 Weekly Scoop Sheet. This Scoop Sheet described complimentary admissions for a Prospective Student–Athlete (PSA) to attend a neutral–site competition.

Further, during review of the IMG contract, the Compliance section noted a requirement for both parties of the contract to ensure compliance with NCAA bylaws and rules. This requirement applied to not just staff, coaches and student–athletes, but also parents, subsidiaries, affiliates, officers, trustees, etc. IMG does not currently provide any formal training for their partners but do include a disclaimer paragraph in their agreements with sponsors regarding compliance with rules and regulations including NCAA regulations. The University would be best positioned to ensure any enhancements to training and awareness include IMG employees, sponsors, and boosters.

One of the four pillars of institutional control is “Rules Education”. The institution is to provide education directly to all persons and organizations promoting the institution’s athletics interests. Not providing adequate information on a regular basis may create situations where NCAA rules may be violated, putting the University at risk of fines or sanctions.

Recommendation

Athletics should improve its current training and education program to ensure awareness of restrictions associated with use of complimentary tickets and other pertinent by-laws are made available to all Athletics employees and partners or boosters that may be in positions to, potentially, even if inadvertently, create a compliance concern.

Management Response:

WSU Athletics agrees that training in the area of use of complimentary tickets and other issues is important. Per the response to issue 2.1 above, we will be able to track training re: comp tickets. This will also be addressed in our Staff and Complimentary Ticket policy which requires all staff members to sign a document stating they understand the proper use of comp tickets before they can receive them. This policy is in the process of being developed.

COMPLETION DATE: May 2018

3. Reporting: Football Attendance Data

Division 1 schools, such as WSU, are classified by the NCAA in the “Football Bowl” Subdivision, and therefore must meet minimum attendance requirements (average of 15,000 people in actual or paid attendance per home game) once in a rolling two-year period.

The University is required to report audited attendance figures to the NCAA. Although institutions may report averages, WSU chooses to report “actual” attendance. WSU contracts with a third party to audit the figures and provide assurance as to their accuracy. The source of attendance figures are from another third party that is contracted to provide gate services at the games – this vendor use portable scanners to scan all tickets prior to entry through the gates.

Although audit of the required attendance data was not included within the audit scope, tests performed on controls over tickets and ticket reconciliation identified concerns reported here.

Conclusion

Internal controls are not adequate to ensure accuracy of reported attendance numbers.

Issue 3.1: Scanned Attendance Numbers are not Accurate

For all home football games, Staff Pro is the third party that operates all of the entrances to the game and scans tickets as ticket holders enter. Athletics works closely with Staff Pro to ensure proper distribution of scanners at the various gates based on anticipated guests at each gate.

For the Arizona game, total report of issued tickets (sold or complimentary) was 31,207 per the Ticket system (Paciolan), 32,632 per adjusted computations provided by the Deputy Director of Athletics. Scanned data, however, noted attendance of 26,378. For the University of Washington Apple Cup game, claimed to be a ‘sell out’, the Deputy Director had 32,793 – and scanned attendance was 27,339.

There will be a difference between issued tickets and attendance records as not everyone who purchases or is issued a ticket actually attends. However, management that was present at these games stated that there were not that many empty seats. Further, management has stated that they have had trouble with faulty scanners in the past.

Many things can interfere with ticket scanning, such as, errors by hired temporary staff processing individuals through gates, frequency issues (as the stadium is filled with patrons and cell-phones it is more difficult for the scanning system to function), faulty scanners and interface with Paciolan not processing reads. At times, WSU employees have observed Staff

Pro allow patrons into the game without their ticket scanning properly so as not to hold up the line.

Scanners used to capture attendance at University football games are not reporting accurately – resulting in variances of attendance figures reported. The University is easily meeting the 15,000 attendee requirement for “Football Bowl” Subdivision, but the figures reported for NCAA compliance are relying on numbers generated from unreliable sources. Accurate records are important for budgetary and facility planning purposes. Additionally, patrons with voided or counterfeit tickets may be allowed entry if scanners are not functioning accurately and they are allowed to pass through anyway.

Recommendation

Develop overall event reconciliation of ticket sales to attendance figures to help better and more timely identify variances, and implement protocols to investigate and correct discrepancies. May be helpful for Athletics to set up individual accounts for football events to aid in reconciliation.

Management Response:

WSU Athletics agrees that it is important to reconcile ticket sales and attendance figures more timely to better understand variances. The Ticket Office will continue to produce the “Football Ticket Reconciliation Report” (previously known as the “Mike Report on Steroids”) after each game and expand that report to include both tickets out and scanned attendance to identify the difference for each game. (It is not expected that these two figures would ever match due to no-shows, particularly on season ticket holders from the Seattle area). The Ticket Office will continue to utilize separate accounts for each individual game to aid in this reconciliation effort.

COMPLETION DATE: Completed

Review and improve training and oversight procedures in place over gate ticketing. There should be processes in place to follow when ticket scans fail, follow up of problems and accountability for variances.

Management Response:

WSU Athletics agrees that we need to have a process in place to follow when scanners go down, as they sometimes do. We currently have the following items already in place for these instances:

- The Ticket Office includes the attached scanner document in our contracted security football gate totes

- The Events group in conjunction with the Athletic Ticket Office perform a scanner troubleshooting training overview twice a year prior to the home football and basketball seasons with contracted security who use the scanners (ticket takers).
- Steps are taken to ensure all event staff know how to properly troubleshoot scanner issues through periodic trainings with the Ticket Office
- Gate Captains will receive additional training to be able to handle scanner issues at the gate.
- Have the "Janam Document" [APPENDIX B.3] at each gate to help answer questions about scanners
- The Ticket Office is investing in new scanners each year to keep up with technology which in turn will help scan counts be more accurate.

COMPLETION DATE: Completed

4. Compliance and Accountability: Complimentary Tickets

Athletics utilizes complimentary tickets in a number of different ways to achieve various objectives.

Complimentary tickets are provided to:

- Athletics staff – AD, head coaches, assistant coaches, administrative staff
- Cougar Athletic Fund – for donor cultivation – (recipients vary)
- Marketing – (recipients vary)
- Student volunteers – cheer, ZZU CRU, etc.
- Vendors – in exchange for goods or services provided including marketing and media communications
- Former varsity athletes
- Game referees/officials
- Media
- Doctors

The President's Office has purchased a suite which is used for donor cultivation and therefore suite tickets are complimentary and are assigned by the President's Office; some are shared with the WSU Foundation.

The objectives of the audit relating to complimentary tickets are to determine if internal controls provide reasonable assurance to ensure:

- University compliance with applicable rules and regulations (including NCAA and University) related to athletic tickets
- Use of complimentary tickets is monitored, reviewed and reconciled timely

Controls were tested by verifying:

- Event set up in ACS – Assistant Coach Software
- Deadline for participants to submit requests is communicated
- Compliance Department reviews guest list for permissible and non-permissible use of tickets
- Approved pass lists are sent to Ticket Office for processing
- Distribution of tickets is organized to ensure proper recipient
- Tickets to coaches and administrators are in accordance with contract terms
- Verified pass lists are saved in Compliance shared drive
- Staff complimentary tickets are issued in accordance with guidelines
- CAF and AD complimentary tickets are used for cultivating prospective donors
- Distinction between personal use of tickets versus business use is tracked to determine any taxable benefits to employees

Conclusion

Internal controls are not adequate to meet objectives.

Issue 4.1: Student–Athlete Transfer of Tickets not Documented for Late Changes

NCAA Bylaw 16.2.1.1 Institutional Events in the Student–Athlete’s sport notes “An institution may provide four complimentary admissions per home or away intercollegiate athletics event to a student–athlete in the sport in which the individual (either practices or competes), regardless of whether the student–athlete competes in the contest.”

For the November 5, 2016 home football game with the University of Arizona, student–athlete guest pass list processed by the Ticket Office had some late additions for three student–athletes. The guest pass list had more guest names than requests shown by student–athlete in ACS. There were some tickets issued to guests without documenting corresponding ACS transfer of tickets.

Athletics is trying to allow valid student-athlete complimentary tickets to not go unused, if unused, student-athlete tickets could be transferred to other student-athletes. Accommodating late changes caused transfer not to be documented in ACS.

Recommendation

Athletics should develop a process to better enforce deadlines for guest pass additions and ensure that late transfers of student-athlete tickets are recorded and accounted for.

Management Response:

WSU Athletics agrees that the proper handling of Student-Athlete (S-A) tickets is important. To that end, we have already set specific deadlines for complimentary S-A ticket requests and they will be strictly enforced. Any necessary or needed changes will be documented in our new compliance software ARMS for full disclosure and future auditability. It is our policy to not accept changes after the complimentary ticket request deadline for Student-Athletes, which is typically Thursday afternoon at 2:00 PM for a Saturday game. However, we recognize that occasionally, special circumstances may occur and WSU Athletics strives to accommodate these instances for our student-athletes and their family if possible. In the event that changes need to be made to Complimentary tickets after the deadline, these will be considered on a case by case basis. If changes are allowed, the changes must be documented with the Ticket Office and Compliance staff. Please see attached complimentary admissions procedures for Student-Athletes [APPENDIX B.4].

COMPLETION DATE: Completed

Issue 4.2: Guest Lists Not Maintained

Tickets given to the University from donors become an asset of the University and must be treated as such, therefore the disposition/use of the asset should be tracked. Further, Foundation Contact Report Policy states that, "An activity is an event, meeting, gathering or other activity that demonstrates an individual's interest in contact with WSU, but does not involve substantial interaction with the individual. Activity attendee lists are to be forwarded to the Biographical Records team for entry into Advance." Therefore if donors are given tickets to events such as football games, this information should be documented in the WSU Foundation donor tracking system (Advance). Additionally, Athletics employees should be aware that records regarding disposition of assets should not be destroyed.

Some donors purchase season football tickets and may donate some or all of them back to Athletics to use for donor cultivation if they are not planning on coming to the game. We

identified four such seats in the club section during this audit and requested records for who the tickets were given to in an effort to cultivate donors. Athletics was unable to provide these records and stated that the Athletics employee (Deputy Director of Athletics) who was responsible for the tickets destroyed the records of guests at the end of the football season. The department had provided names of some potential donors that may have been given the tickets. In order to verify if these donors were given tickets, we requested the WSU Foundation search their Advance system and determine if there were any notes in the donors profile to indicate that they were given sporting event tickets. No information was located regarding the tickets in the donor database. Therefore, we cannot ascertain whether or not the tickets were used for business purpose or for personal use.

University records of guests utilizing complimentary tickets are incomplete and not all guests are cleared by Compliance Department. Thus tickets may have been used for personal use or guests that violate NCAA by-laws may have been invited.

Recommendation

We recommend Athletics develop overall policy regarding ticket distribution and ensure guest lists are developed, reviewed, and retained.

Management Response:

WSU Athletics agrees that the handling of guest lists is important to ensure proper use of tickets and avoid any personal usage. To better track guest lists, the CAF staff/Director of Internal Operations will maintain a spreadsheet list of all comp tickets including documentation of those used/unused, and respective guests involved. This spreadsheet will be housed on the CAF shared drive and sent to Compliance on a weekly basis for vetting and review. The list will be sent by Friday afternoon for all Saturday games.

A spreadsheet detailing complimentary tickets for Football, Volleyball, Baseball, and Men's & Women's Basketball will be saved for each game and/or appropriate tickets as part of the CAF allotment. At the end of each respective season the number of complimentary tickets shall be reviewed in order to plan accordingly for the next season. The Athletic Ticket Office (ATO) will provide the scan percentage for each ticket post-season. The CAF will debrief with the ATO post-season to update comp allotment for planning purposes.

COMPLETION DATE: Completed

If tickets are being provided to donors, Athletics should work with the CAF or the Foundation and ensure that contact information is documented in the donor database.

Management Response:

WSU Athletics agrees it is important to document donor information within the CAF and WSU Foundation when tickets are being provided. The CAF will provide the WSU Foundation a list of all season ticket holders for respective sports at the end of each season for coding purposes in Athletics donors/friends central accounts. This will be another mechanism of documenting centrally those who have an affinity for athletics based on event attendance and for prospecting purposes for potential donor identification or further development cultivation. This will also allow us to be transparent with our campus peers for reporting purposes as this is a yearly request to provide such data for coding and reporting purposes.

COMPLETION DATE: Completed

Issue 4.3: Compliance Department is not Receiving All Guest Lists

All complimentary ticket lists should be reviewed to ensure coaches of prospective student-athletes, prospective student-athletes/families or current student-athlete families are not receiving complimentary tickets that would violate NCAA rules. Applicable bylaws include, 13.6.7.2, 13.7.2, 13.8.1 and 16.2.

We noted for the following, guest lists were developed but were not sent to Compliance Department for review to ensure that no PSAs or PSA's parents were inadvertently provided complimentary tickets:

- Head Coach Suite List
- AD Suite List
- AD Outdoor Ticket List
- West Side Donor Family Club tickets – part of early concept program for West Side
- CAF Suite, Club Seats and Lower Bowl tickets
- Additional CAF Club Seats–Assistant Athletic Director – Annual Giving
- President's Suite
- Foundation Ticket List
- Marketing In-kind trades, Volunteers, Promotions and Donated Auction Tickets
- IMG/IMGL List

Specific to IMG, we requested guest lists for the Arizona game and received a list of 790 guests. This guest list was subsequently (during audit fieldwork) reviewed and cleared by

Compliance. During attempts to reconcile all tickets for this game we found out that IMG had actually received 1,192 tickets. We requested a guest list for the additional 402 tickets. Compliance subsequently reviewed and cleared the noted guests – 348 of the tickets were accounted for, and 54 were confirmed unused.

Due to current culture at Athletics, many departments within Athletics operate independently and do not understand the need for sharing guest information relating to complimentary tickets. At times, information regarding complimentary guest lists has been requested by a unit but denied by another unit. This lack of sharing of information can contribute to non-compliance and also creates a negative working environment.

Without all guest lists being reviewed by Compliance, the University could unknowingly violate an NCAA rule resulting in NCAA disciplinary actions or causing Prospective Student Athletes to become ineligible.

Recommendation

Athletics policies should be updated to require all complimentary ticket guest lists are provided to the Athletics Compliance Office with sufficient time to review prior to the sporting event.

Management Response:

WSU Athletics agrees that the Compliance review of guest lists is important and critical to avoid any violations. Attached [APPENDIX B.6] is an Excel file used to collect donor/guest data for those receiving complimentary tickets which will be shared with Compliance prior to each sporting event. For Football, this will be the Friday before Saturday games. Compliance will review complimentary lists from each area in athletics and store those lists on the compliance server broken up by season/contest. This process will ensure that institutional control is in place and complimentary tickets are being used for NCAA permissible purposes

COMPLETION DATE: Completed

Athletics should consider empowering Compliance Office with sufficient authority to accept or deny issue of complimentary ticket (or initiate engagement of next stage review) if the issue does not meet compliance requirements or Athletics policy.

Management Response:

WSU Athletics agrees that Compliance should not feel constrained in any way in doing their job. The Compliance Offices believes they have the sufficient authority to accept

or deny the use of any complimentary ticket or initiate further review if compliance is in question. They believe they now have timely access to each list which is essential for them to ensure compliance with all State, Institutional, NCAA, Pac-12 and Athletics Department rules and regulations. Additionally, Compliance Staff will be issued All-Access passes to give them access to the Premium Seating areas to monitor proper use of the Comp Tickets.

COMPLETION DATE: Completed

AUDITOR NOTE: At a closing meeting on April 11, 2018, management discussed the response and plans provided as above did not initially include passes for Compliance to away games for football and men's basketball, but that that would be incorporated. Implementation to include away games will be evaluated when follow up activity is engaged.

Issue 4.4 Unutilized Complimentary Tickets and RV Passes

In order to be proper stewards of Athletics funds, the University must manage how complimentary tickets for donor reward/cultivation are utilized so the University can benefit from future contributions.

All complimentary tickets set aside for cultivation or other uses means that those tickets cannot be sold to generate revenue. As such, due care should be taken to adequately plan how many tickets need to be reserved for Athletics as a whole and for individual units. Currently each unit does its own planning knowing that they may have a few seats left over each game. The main Ticket Office also holds tickets in reserve for last minute needs, some of which may not get used.

For the Arizona game, a total of 360 tickets were allocated for student-athlete's families and guests, Prospective Student-Athletes and families and High School Coaches with 194 attending, leaving 166 unutilized tickets valued @ \$70/ticket – total potential lost revenue of \$11,620 for the Arizona game. Similarly, 203 tickets were allocated for cultivation including tickets in Athletic Director Suite, Cougar Athletic Fund, President's Office, and Foundation. There were approximately 63 tickets that did not get used from this group, resulting in lost opportunity to cultivate future donations. In addition, there were three unused RV passes that also could be used for current or potential donors. There were two instances where WSU employees received RV Passes from the CAF.

We also reviewed how tickets are provided to visiting teams and noted that tickets that are unused by the visiting team are returned to WSU. The unused tickets are at times returned close to the date of the game and therefore may be difficult to sell so close to game-day that the Ticket Office elects to use brokers to sell groups of tickets to in order to sell the whole unused lot quickly. By giving the visiting team a long deadline to return unused tickets, Athletics puts themselves at risk of potentially not being able to sell these tickets or not being able to sell them at full price.

There is a lot of planning that needs to occur to distribute invitations for complimentary tickets and RV passes so at times, filling all of the available spaces is difficult, especially when groups operate independently in the selection of guests (as currently, efforts are not coordinated). Interest from donors can also vary greatly depending on weather, game time and opponent.

Although there is no guarantee that the 'held' tickets would have been sold, because Athletics does not require guests to commit to tickets by a set date prior to the game they are held indefinitely, thereby removing the ability for them to be sold.

Recommendation

In order to minimize potential of lost revenue from unutilized complimentary tickets and RV passes, Athletics should develop a process to maximize complimentary ticket use. We recommend considering deadlines for RSVP and greater collaboration and planning with other units that may utilize tickets.

Management Response:

WSU Athletics agrees that it is important to optimize the number of tickets held for business uses, in order to maximize the number of tickets available for sale to the public. We acknowledge that comp tickets were often underutilized in the past based on usage rates provided by the Ticket Office. These issues will be addressed in our new ticket policy. This new policy will provide a strategically determined number of comp tickets to be used for business purposes, and unneeded tickets for each game will be returned to the Ticket Office for sale to the public. Usage rates of comp tickets will be reviewed at the end of the season for future planning purposes.

Specific to Student-Athlete and High School complimentary tickets, we will continue to honor the amounts each student-athlete and High School coaches are allowed under NCAA rules without limit. [APPENDIX B.5] There is very little we can do to manage the actual usage.

Specific to visiting team comp tickets, we will continue to impose the same timeline and deadlines for teams coming to Pullman as we experience when we go on the road. Typically, we ask for a majority of tickets to be returned early, but allow for a smaller number of tickets to be returned the day before the game.

COMPLETION DATE: April 2018

Excess RV passes should not be distributed to other WSU employees or Athletics employees without appropriate consideration – doing so invokes ethics rules on special privileges. This practice should not occur and appropriate processes to monitor issue of all passes and to whom would include review for gifting to employees.

Management Response:

WSU Athletics agrees that RV Passes should never be used for personal gain by any employee. WSU Athletics will retain certain numbers of RV passes for business use, but will document such business use for each game. As with all comp tickets, the business use for all RV passes will be documented by the CAF Staff and maintained on the shared drive for full transparency.

COMPLETION DATE: Completed

Issue 4.5: No Contract for Some In-Kind Agreements

Per University BPPM 10.11 Processing University Contracts, “A proposed contractual relationship or transaction that would commit University resources of any nature must be reduced to a written agreement.”

We reviewed a sample of five in-kind agreements from a report of 81 agreements generated from Paciolan. The Marketing unit within Athletics is responsible for the majority of these agreements. Once they finalize an agreement, they update their internal spreadsheet and include how many tickets should be provided based on the agreement. This spreadsheet is then provided to the Ticket Office to input into Paciolan and seats are assigned accordingly.

Athletics was able to locate the agreement for only one of the five selected for testing. Many of the in-kind agreements are informal arrangements. In addition, for the one reviewed, the vendor was added to Paciolan incorrectly in that the “vendor’s employee contact” was listed as customer, rather than the actual company name listed as the customer.

Verbal agreements from prior years tend to roll forward and a formal review of agreements has not been performed. If there is no written confirmation of services expected in exchange for tickets. WSU may distribute tickets and never receive services expected.

Recommendation

Athletics' process to manage in-kind agreements needs improved. The process should consider the following:

- An inventory of all agreements should be developed and maintained for monitoring*
- Timing of review of agreements- should be periodic*
- Assignment of review of agreements - by sufficiently senior level of management with contracting authority*
- Agreements committing University resources, even in exchange, should be committed to in writing*
- Policies should be updated and enforced to ensure tickets issued to vendors under in-kind agreements are isolated in Paciolan under vendor name*
- Processes established to monitor vendor performance to terms of agreement (verify/confirm services provided)*

Management Response:

WSU Athletics agrees that it is important to ensure that all in-kind agreements are properly vetted, documented and that vendor performance is fulfilled and confirmed. To this end, WSU Athletics will develop a policy to ensure all comp tickets are supported by a valid contract. This policy is detailed below:

The Business Office (Contracting Authority), Marketing Office and the Ticket Office will work in conjunction to thoroughly review the report of all in-kind trade agreements. In-kind agreements that are out of date and no longer active will be removed from the list. The new list will only include current legitimate in-kind agreements.

In addition to the WSU Athletics Marketing Office having the ability to enter into in-kind trade agreements, typically with local vendors, the WSU Athletics Department works directly with a Marketing partner which has the ability to do the same. Our Marketing partner has been granted the right to enter into media purchase and trade contracts on behalf of the University. They will negotiate with cash and trade vendors (new and existing).

The Marketing Department will directly enter into or receive trade agreements from our Marketing partner which outline services proposed by a third party vendor, as well as the dollar value of those services. The WSU Athletics Marketing Department then

works with the Ticket Office to ensure that the allotment of tickets provided to that vendor are equal to the value of the services proposed.

Current contracts for these agreements will be thoroughly reviewed by the three offices mentioned above, one of which has contracting authority the other two offices will verify the key in-kind details outlined in the agreements. If there is not a contract for a legitimate in-kind agreement with a vendor or if the contract terms need to be updated, the Marketing Office, the Ticket Office and the Business Office will work together to ensure that the necessary changes are made and that the vendor is informed.

For each agreement there will now be an up to date written contract between the Athletics Department and the vendor which will thoroughly document the University resources (tickets) that the Athletics Department is providing to the vendor as well as what we as an Athletics Department are receiving in exchange from the vendor. No tickets will be provided to the vendor until a valid contract is in place. The in-kind spreadsheet will then be updated with the following information for every in-kind agreement.

- Vendor name
- Vendor individual point of contact w/ name, phone #, and email
- Terms of the agreement (e.g. 7/1/18 - 6/30/22)
- # of tickets, location, \$ value, provided to vendor
- Concise description of what the Athletics Dept. will receive from the vendor
- Tracking column denoting if goods/services were received and when

Once this information is added to the in-kind spreadsheet, the Assistant Director of Athletics for Ticket Sales and Services will update the vendor information in Paciolan to ensure that it matches with what is in the in-kind spreadsheet.

Athletics Computer Support will create a shared drive that is only accessible to these three offices the following items will be housed in this secure/shared drive.

- In-kind spreadsheet
- Contracts for each vendor listed in the in-kind spreadsheet

The Marketing Office will alert the Business Office and the Ticket Office as new agreements are created internally or received from our Marketing partner. The

Business Office, will sign off on the contract and will then be responsible for updating the in-kind spreadsheet.

The Business Office, the Marketing Office and the Ticket Office will meet quarterly to ensure that the in-kind spreadsheet is up to date, verify there is a written agreement for each vendor, the correct information has been inputted into Paciolan, and that the Athletics Department and all vendors are performing to the terms of each agreement.

COMPLETION DATE: June 15 2018

Issue 4.6: Paciolan Media Complimentary Tickets did not tie with List from Marketing

Information submitted to the Ticket Office requesting complimentary tickets should be complete and accurate and tie with in-kind contract agreements or confirmation emails noting terms of agreement. Per University BPPM 10.11 Processing University Contracts, "A proposed contractual relationship or transaction that would commit University resources of any nature must be reduced to a written agreement."

In comparing Marketing's media complimentary ticket list, with media complimentary tickets in Paciolan, there were numerous discrepancies including: same vendor different number of tickets, vendor shown on Marketing List but not in Paciolan, or vendor shown in Paciolan List but not on Marketing List. When Marketing and Ticket Office reviewed differences noted, there were five items correctly on Marketing List, not yet in Paciolan. Paciolan was subsequently updated to reflect the correct information for 2017-18. There were five names in Paciolan that WSU no longer had agreements for and changes were made in Paciolan to remove these items. There were four items in Paciolan not on Marketing List. Marketing List will be updated to reflect these additions. Thus, changes have been or will be corrected - yet, there was not a process for the units to ensure review and reconciliation occurred on an on-going basis.

Risks associated with lack of reconciliation and coordination of complimentary tickets to be held and issued include: Marketing list submitted to Ticket Office may contain old or expired agreements; Complimentary tickets could be issued to parties when there is no current agreement; WSU may distribute tickets and never receive services expected.

Recommendation

Processes should be improved to ensure reconciliation of complimentary ticket lists is being performed across all units. Assignment of this responsibility should be clear and performance monitored.

Management Response:

WSU Athletics agrees that it is important to reconcile comp ticket lists across all units. To that end, we will be using the same shared drive that will be created for Issue 4.5, the Business Office (Contracting Authority), the Marketing Office, and the Ticket Office will follow a similar process to the one proposed for Issue 4.5.

COMPLETION DATE: June 15, 2018

5. Compliance and Ethics: Athletics Employee Tickets

Current Athletics policy allows Athletics employees to receive two complimentary tickets for each home football and men's basketball games, plus, one complimentary ticket for each child living at home between the ages of 2 and 18 years of age. Employees are directed to complete "Comp Ticket Change Form" when a change in eligible dependents occurs.

Employee complimentary tickets are located in the lower bowl of the stadium. If employees elect to upgrade to preferred seating they are responsible to personally pay the CAF membership donation.

Our audit objective was to evaluate internal controls over tickets to ensure they are adequately accounted for, and use of complimentary tickets is monitored, reviewed and reconciled timely. Associated with the audit objective, we tested processes over issue of complimentary tickets to employees.

Conclusion:

In reviewing staff complimentary tickets we observed a few areas indicating special privilege could be inferred. Because Athletics is in charge of events and tickets, it is important that boundaries remain firm regarding pricing, required donations and accessibility to seating.

Issue 5.1: Employee Discounts Offered to Athletics Employees

Club seating CAF discount: Normally there are no CAF "discounts" for seating. The only exception to this was in the "Club" section during stadium construction in 2012. During construction, there was an opportunity for Athletics staff and coaches to purchase club tickets at the cost of a \$500 donation per seat. This discount was not offered to other WSU employees or the general public, only Athletics employees. Because seats were limited, not all Athletics employees have had the opportunity to take advantage of this discount - so it was limited not

just to Athletics employees but to a few Athletics employees. The Club section is now at capacity and the only way this discount would apply to new coaches or staff would be through attrition - we were informed the initial plan was for the seats (and discount) to be passed from employee to employee when employees leave WSU.

As a result of this construction phase promotion, there are 128 seats utilized by Athletics staff that are charged $128 * \$500/\text{seat} = \$64,000$. Normal annual donation amount for these seats (in FY 2017) varies between \$1,400 or \$1,700/seat for Club seating (depending on location) and \$2,200 a seat for Coaches club seats. If these seats had been sold at general public rates, total CAF revenue would have been \$195,300 for the 128 seats. Therefore, this promotion, potentially cost the University \$131,300 in lost revenue in FY 2017. This practice has been ongoing since 2012.

Club seating upgrade charge: All Athletics employees are eligible for \$360 value bowl tickets. Employees are also eligible to upgrade to preferred seating which is \$430 per ticket. Employees that have elected to upgrade have not been charged the difference. Athletics staff are receiving upgraded seating without paying \$70 differential resulting in additional lost revenue for the department and an additional free benefit to those employees electing to upgrade.

Criteria - Per RCW 42.52.070 Special Privileges:

Except as required to perform duties within the scope of employment, no state officer or state employee may use his or her position to secure special privileges or exemptions for himself or herself, or his or her spouse, child, parents, or other persons.

We believe these discounts invoke state ethics rules prohibiting state employees from using their position to secure a special privilege.

Compliance with ethics is a personal responsibility of each state employee - Athletics holds a duty to its programs provide for the highest integrity and values and are aligned with state ethics rules.

Recommendation

*Athletics should not continue this practice of discounting the CAF donation for Club seats, and waiver of upgrade differential or any other price point discount only to Athletics employees, **unless and until** the practice is fully vetted by the State Executive Ethics Board and approval is granted.*

Management Response:

When the new premium seating was first created, the new sections were far from sold out and the empty seats were generating no revenue. To generate at least some new revenue, the Athletics Director created a program to offer these seats to staff at \$500 per seat donation. This also filled up an otherwise unutilized section of the Premium seats. WSU Athletics agrees that circumstances have changed since we first opened our Premium seating area, and discounting of CAF donations for Club seats for Athletics staff only, and cannot be continued. We are in the process of developing a new Staff and Complimentary ticket policy which will be vetted by both our tax expert (for taxation to employee issues) and the State Executive Ethics Board to ensure no violations from an ethics perspective. Our new policy will address all of the issues contained in this section 5, specifically related to discounts to Athletics staff, waivers of upgraded differentials, collection of required CAF donations prior to tickets being distributed (with exception noted below at 5.2), excess tickets being distributed, and proper taxing of all tickets provided to Athletics staff.

COMPLETION DATE: May 2018

Issue 5.2: Required CAF Donation not Collected

We obtained a report of total CAF donations for calendar year 2016 for the employees who ordered Club seats (at the discounted rate of \$500) and found that 22 of the 43 employees had not paid their total discounted required donation to purchase the seats – resulting in a shortage of \$15,801 for the 2016 football season. A few balances were off by pennies while the largest balance (held by the CAF Assistant Athletic Director of Annual Giving) was short \$2,710.

The Ticket Office does not receive information related to payroll deductions for CAF donations. Ticket Office only receives reports for season ticket payroll deductions. The CAF donation is handled by the CAF and the WSU Foundation. The CAF is not reconciling elected donation amounts to amounts actually collected, WSU Foundation is also not reconciling amounts and the Ticket Office does not receive the information necessary to perform this reconciliation. The tickets for upgraded seats were still distributed to employees – thus, they not only were provided an opportunity for a deep discount on preferred seating but some did not even pay the discounted rate.

Recommendation

Processes need improved to ensure tickets are not distributed until amounts are collected in full – including seat price and required donation.

A critical part of this process improvement requires reconciliation of all payments made via all collectors, and access to the relevant information to perform these reconciliations.

Management Response:

WSU Athletics agrees that it is critical to ensure all donations are collected prior to tickets being distributed. It is critical that Athletics staff are treated the same as the general public in this regard. Our new Staff and Comp Ticket policy will in fact ensure that all required amounts are collected prior to ticket distribution. There will be an exception granted for employees who have been hired during the fiscal year. If they sign up for payroll deduction at a rate which would allow them to have a sufficient contribution should they contribute at that rate for a full year, they will be deemed to have made the required contribution prior to ticket distribution. This will be a one-time exemption only during their transition period.

COMPLETION DATE: May 2018

Issue 5.3: Current Policy and Procedures Do Not Inhibit Excess Claims

Currently, Athletics policy regarding complimentary staff tickets allows employees to receive two complimentary tickets, plus one complimentary ticket for each child living at home between the ages of 2 and 18 years of age. Employees are directed to complete "Comp Ticket Change Form" when change in eligible dependents occurs. Policy does not address situations where both husband and wife work at Athletics, permitting situations where both will make the allowed claims for tickets. Further, policy does not provide processes for monitoring when employees upgrade seats, and thus, the return of eligible lower bowl seats back to inventory for resale.

There were two instances of husband and wife both being employed by Athletics and both employees claiming a ticket for their spouse along with dependents when filling out the Staff Complimentary Ticket Request. In one case, a family of four, was allotted eight tickets, while the other case had a family of three, and was allotted five tickets. This activity results in either tickets going unused (and potential lost revenue if not available for resale) or, if claimed by same employees, since more tickets than family members, tickets were actually used for other than qualified individuals (a special privilege). Employees were able to double count spouse and dependents in the number of tickets claimed. The Ticket Office has stated it does not have sufficient authority to address this issue.

There were four other instances where husband and wife both worked for Athletics, but they only claimed tickets under one account for the household.

In a different situation, one Athletics employee has taken advantage of the benefits offered to Athletics' employees and holds both complimentary lower bowl tickets and Club seats. The employee stated that the Club seats were used for business, for donor cultivation, implying the lower bowl tickets were the ones he used for his family, the complimentary tickets available to all Athletics' personnel.

Because the employee claims the Club seats are used for business purpose, he has not paid the discounted CAF donation for the seats. Although he informed the Ticket Office that he was to get Club seats as part of his employment with Athletics, this employee does not hold an employment contract stipulating the use of Stadium seating or assets for job performance. The Ticket Office does not have any support for these Club seats and has indicated it does not have sufficient authority to deny the employee's request.

We requested the Club seat guest list for the Arizona game and found the employee's spouse and child were in attendance along with another WSU employee and their spouse and child. We asked the WSU Foundation to review the accounts of the names provided and no records were available to support that these tickets were given to said guests as a donor cultivation effort. The Club seats were not used for donor cultivation, rather, they were used for personal use.

University assets may not be used for personal use. If the tickets are in fact allocated for business use for donor cultivation then the employee misappropriated this asset by using it for personal use. If the tickets are intended to be the employee's complimentary tickets, then the employee must pay the required donation portion and must also return their lower bowl tickets so they only hold one set of tickets - the employee did neither of these things but used his position to obtain and retain these benefits.

Recommendation

Should Athletics continue its current program providing complimentary tickets to Athletics staff, the following should be considered in policy and process to limit abuses (and excess claims):

- Policy may need to specify complimentary tickets are per household.*
- Policy should clearly stipulate tickets for family use only and not transferrable.*
- Process should be updated to provide assurance employees not claiming more than current policy permits.*

Management Response:

WSU Athletics agrees employee complimentary tickets should only be provided on a household basis; not allowing for any duplication. Further, every employee needs to understand the rules related to complimentary tickets and abide by them.

As outlined in issue 5.5 below, Our new staff and complimentary ticket policy will ensure that Athletics staff only receive the number of tickets to which they are entitled by their household. The policy further requires them to sign documentation stating they understand the limits for usage of comp tickets in accordance with our Staff and Complimentary Ticket policy as approved by the State Executive Ethics Board. It will also provide a method for employees to document changes in their household numbers as circumstance change.

COMPLETION DATE: May 2018

Issue 5.4 Employees are not Taxed on the Value of Their Complimentary Tickets

Contracted Athletics employees (including coaches) receive certain additional benefits as a part of their contractual agreement with the University, such as complimentary tickets, designated suite access, travel for family members to away competitions, club memberships, and food/beverages in suites during home competitions. Employment contracts stipulate that, "Employee understands and acknowledges that the value of such {expenses} may be considered income to the Employee and will be so reported by University". Per discussion with Athletics management, we noted that these benefits have not been reported as income to the employees and therefore they have not been taxed on the corresponding value.

Although Athletics employees are encouraged to attend sporting events, the majority are not required to do so as part of their job responsibilities.

Criteria – IRS Publication 15-B "Employer's Tax Guide to Fringe Benefits" for use in 2017, contains information for employers on the employment tax treatment of fringe benefits. A fringe benefit is a form of pay for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle to commute to and from work. Any fringe benefit provided by the employer is taxable and must be included in the recipient's pay unless the law specifically excludes it.

In determining whether fringe benefits should be taxed, the Publication has a number of exemptions allowed, one of them is meals if it meets the criteria: "Meals – which are furnished on your business premises, for your convenience, and as a condition of employment." The

meals/beverages provided to the contractual employees do not appear to meet this condition and therefore may need to be reported as income.

There is also an exemption for De Minimis Benefits which includes: "Occasional tickets for theater or sporting events." Season tickets would not meet a practical definition of 'Occasional tickets'. The sporting event tickets provided to Athletics employees for a whole season do not appear to meet the De Minimis criteria and therefore the value of the tickets may need to be reported as income to the employees.

During audit testing we consulted with both a WSU tax-specialist on retainer and a higher education tax expert. A point of agreement was related to the "No-Additional Cost Services" exclusion in IRS Publication 15-B, which states that, "no-additional-cost services are excess capacity services, such as airline, bus or train tickets; hotel rooms; or telephone services provided free, at a reduced price, or through a cash rebate to employees working in those lines of business." Therefore, it is possible that if employees are not reserving tickets and the game is not sold out, that the tickets may not be taxable to the employee. If the game is sold out, or the employee is allowed to reserve seats, then the value is taxable to the employee. This analysis would need to be considered on a game-by-game basis and could not be broadly applied to the whole season.

Athletics management and central administration have not sufficiently reviewed and addressed the reporting of these types of fringe benefits. Not reporting the corresponding value of fringe benefits received by Athletics employees puts the University and University employees in a position where they may not in compliance with IRS regulations.

Recommendation

Athletics must work with Finance and Administration to properly evaluate and form a defensible position related to taxability of the fringe benefits offered to Athletics employees.

Once identification of taxable items is determined, a process must be established to ensure the capture of these fringe benefits, certification of receipt, and processing of the taxable amounts.

Management Response:

WSU Athletics agrees that taxing employees for tickets should be in accordance with IRS laws and the opinion of our tax expert. As noted above, we will get an opinion on all tax issues. These answers will be communicated to all staff as they make their ticket decision, and will be incorporated into our new staff comp ticket policy.

Once our taxation policy has been established and communicated to all staff, relevant tax information will be provided to Payroll in the same manner we communicate other taxable items for our employees (e.g. Nike Elite allocations, family per diem for Bowl games, etc.)

COMPLETION DATE: May 2018

Issue 5.5: Process for Managing Accounts in Paciolan is Inadequate

Athletics' policy regarding complimentary staff tickets states that employees receive two complimentary tickets, plus one complimentary ticket for each child living at home between the ages of 2 and 18 years of age.

Athletics uses the Paciolan ticketing system to manage complimentary tickets issued to staff. Accounts are set up for staff members. Employees are directed to complete WSU Athletic Staff Ticket Information Form to identify number of tickets to be claimed. On this form, there is a space noting "Ticket Office Use Only" and in this space, Ticket Office personnel record Customer Account #, Comp Tickets Allotted, and initials of person processing and date. Information from the form is entered manually into the Paciolan ticket system.

When changes are needed, such as number of children eligible for tickets a WSU Athletic Staff Ticket Change Form is to be completed and changes updated in the Paciolan system.

The Ticket Office is to follow procedures matching printed tickets with "Staff Member Ticket Information Form" and adjusting for any changes by referring to "WSU Athletic Staff Ticket Change Form". If an employee changes (upgrades) lower bowl tickets to Club seats, the changes should be reflected in the Forms and in the system, and result in cancellation of general admission tickets.

For WSU Athletic Staff Ticket Information Forms tested, one out of five did not have initials of person processing, the date and no number written for "Number of Comp Tickets Allotted".

For tests of the WSU Athletic Staff Ticket Change Form, we found one employee reported, via phone call to the Ticket Office, a change in tickets he was eligible to receive had decreased due to children no longer under the age of 18. This information was relayed verbally, rather than completing the Form, yet end result was posted to Paciolan. Written documentation was not available noting this change. Current ticket request form still shows eligible for four

tickets, when actually only eligible for two. Employee appropriately reported change, but applicable form was not completed.

When reviewing full list of all Staff Comp tickets we noted one employee who was set up to receive four regular general admission tickets as well as four Club tickets. Employee had previously been setup for general admission tickets and when he upgraded to Club seats, the system was not updated and directions for four general admission tickets were not deleted. These four general admission tickets were printed, but not distributed. The Ticket Office did catch this error, but only after tickets were printed.

Recommendation

Processes should be improved to ensure any changes to accounts in Paciolan are supported by completed and approved forms.

Forms used to denote and approve number of tickets and eligibility, including changes, should be retained in Ticket Office.

Management Response:

WSU Athletics agrees that it is an important part of our Staff and Complimentary Ticket policy to ensure the number of tickets allocated to each staff member is accurate, and that all changes to the number of tickets allocated to a staff member is properly documented. To that end, the Ticket Office will;

- Send out an email to each department for updates to staff comp forms
- This will be done by the Manager of Ticket Operations and the email will be sent to each department assistant.
- This email will be sent twice a year, the first in March and the second in August
- Any changes will be documented on each form with the supervisor handling the changes filling out all the required information

Before each email goes out, the Ticket Office will get an updated staff directory from the business office to compare any departures or new employees of which the ticket office was unaware.

COMPLETION DATE: Completed

Ticket Office should establish a periodic review process of staff complimentary tickets set up in Paciolan and follow up on unusual or duplicate name entries prior to printing and distribution.

Management Response:
See response above

6. Asset Controls: Cash Handling

Audit objective was to determine if internal controls provide reasonable assurance to ensure accountability, accuracy and completeness over ticket sales and receipting activity. We reviewed cash handling procedures with management and performed a cash count of the Ticket Office till fund. We found concerns with general internal controls over cash activity and receipts.

Issue 6.1: Checks are not Deposited Timely

A till fund cash count performed on April 24, 2017 found two dated checks - \$1,465 and \$14,195 (dated March 26 and March 28, 2017). These checks were nearly a month old and had not been deposited. The Ticket Office stated there was a discrepancy between the amounts owed and the amounts paid and they were researching the issue, resulting in a delay in deposits.

Per BPPM 30.53, amounts totaling \$100 or more should be deposited within 24 hours of receipt, or the next working day if amounts are received after the University's normal business hours.

Delaying deposit of checks causes the Ticket Office to be out of compliance with University policy. A delay also increases the risk of theft and increases the possibility that the checks will get stale and the funds will no longer be available to the University.

Recommendation

The Ticket Office should update processes and training to cashiers to ensure policy for timely deposit is consistently followed. These processes should consider direction and protocols in the event incorrect amounts are received, that follow-up and resolution with the payee should occur timely.

Management Response:

WSU Athletics agrees that depositing checks in a timely manner is important. Processes will be put in place to ensure all checks will be deposited within 24 hours, absent any extenuating circumstances (e.g. Cashier Office closed for Holidays) which would need to be documented.

When the Ticket Office receives checks for the wrong amount, the Ticket Office will call and email the patron the day the check is received to inform them of the difference. The Ticket Office will either shred the check or process it with the understanding that additional money will need to be collected for full ticket payment. If the Ticket Office is unable to reach to the patron, we will hold the check for 24 hours and document why it wasn't deposited. After the 24 hour period the Ticket Office will shred the check and communicate with the patron on a new payment.

COMPLETION DATE: April 2018

Issue 6.2: Cashiers Sharing Cash Drawer

Outside of football home games, the Ticket Office only has one window open with a cash drawer for in-person sales. Often two student cashiers share the same cash drawer. Each cashier has a unique login for when they are using the cash drawer thereby associating each cashier with transactions they process. However, it is still impossible to affix responsibility if funds were to go missing. The Ticket Office has a surveillance video system which can function as both a preventative and detective control.

The Ticket Office noted they do not assign one drawer per cashier due to small amount of funds in front office till drawer and the time it would take to count cash with rotating student employees during the day, if drawers were switched with each shift change.

Per BPPM 30.59 Cash Registers, in order to maintain complete activity records, cash registers used by University departments must have one cash drawer per cashier or one cash register per cashier.

The current system would only show who used the cash drawer that day and not who was using it if and when funds went missing.

Recommendation

There should be only one cash drawer or register per cashier.

Management Response:

WSU Athletics agrees we should only have one cash drawer per cashier. To that end, the ticket office will utilize multiple cash drawers with each cash drawer being assigned to a specific student worker for their shift of the day:

- Each drawer will have a separate key.

- When we have more than 2 student workers we will open a second window and assign each student their own cash drawer.
- Students will be required to logout of their Pac 7 profile after each instance of assisting customers. This will force students to login with own profile and eliminate mixing banks across multiple seller accounts.
- Each student will be required to count money in and then cash out at the end of their shift. This will be documented.

COMPLETION DATE: April 2018

Issue 6.3: Till Reconciliation Sheet Not Maintained

Working front office cash drawer is counted daily, however, the remaining amount of till fund (held in safe) is only reconciled after game events or about every other week. Currently, a reconciliation sheet noting count by denomination for till fund is not filled out and saved.

The Ticket Office has not yet formalized a process for documenting the reconciliation and accounting of all till funds, those in drawers and in safe and all funds held on hand. If funds were missing in future count, there would be no record of who performed prior count, denomination of funds or date last count occurred. Without this information, it would be difficult to affix loss to one person.

BPPM 30.59 provides criteria for reconciling cash registers/till funds and notes till cash reconciliation should be completed on a reconciliation sheet and should include totals of each denomination.

Recommendation

The Ticket Office should begin utilizing Till Fund reconciliation worksheet noting date of count, dual custody of counters and money sorted by denomination indicated on spreadsheet.

Management Response:

WSU Athletics agrees we should utilize till reconciliation worksheets. We have implemented a new policy requiring each cash till to have a reconciliation sheet that will be filled out at the start of a shift and at the end of a shift. (Example attached – APPENDIX B.7)

COMPLETION DATE: Completed

A regular schedule for reconciling Till Fund should be established in addition to reconciling after post game events.

Management Response:

The Ticket Office will count the till once a month and after each event or series. This will be documented by the person counting the money and a second signature from another employee when they have verified the money is correct.

COMPLETION DATE: Completed

Issue 6.4: Paciolan Password for “VOID” Function is Identical with “RE-PRINT” Password

The Ticket Office requires supervisor approval for voids – this is a good control to ensure appropriate oversight and management of unusual transaction activity. To finish processing a void, while student cashier is signed into the system, the supervisor signs in with a password. This password is not unique in that it also authorizes “re-prints”. Student cashiers are provided the password to perform re-prints but, according to management, are not informed that the same password authorizes voids.

Setup of initial controls may not have distinguished the importance of an independent password for void function. Department assumes student cashiers will not know it’s the same password and therefore not a risk.

BPPM 30.59 – Cash Registers, notes supervisor must initial approval for voided sales transactions. Additionally, Executive Policy (EP) 4 prohibits the sharing of passwords.

Weakness in controls could allow student cashier to void sold tickets and retain the cash (if they discovered the password was the same) and cash missing would not be found during end of day reconciliation process. The only compensating control is when customer tries to use the ticket, it would appear as voided – this, only if the scanning system is functioning properly and if entrance employees send the ticket holder back to the Ticket Office. (As noted earlier in this report, we noted that at times the scanners do not function properly and/or Staff Pro employees allow ticket holders entry if the scanner is not reading the ticket correctly).

Recommendation

Ticketing system controls should be updated to ensure appropriate level of control for authorizing risky transactions.

Passwords should not be shared.

Management Response:

WSU Athletics recognizes the importance of managing passwords to ensure adequate levels of control. To that end, The VOID password and the reprint will always be different

- Only managers and the full time intern will have access to the VOID password
- Students, Managers, and the intern will have access to the reprint password

COMPLETION DATE: Completed

Issue 6.5: Athletics Invoices not Approved by Controller's Office

The Athletics' Ticket Office is using a receivable system outside of the central Accounts Receivable system. Invoice format in place during fieldwork had not been reviewed and approved by the Controller's Office for contents and internal control.

Per BPPM 30.56 Accounts Receivable, sequentially-numbered invoices must be issued to the client. MyWSU users issue WSU invoices. Other departments must use invoice forms which have been approved by the Controller.

Risk associated with not having the Controller's Office review and approve invoice formats is they may not be sequentially numbered, or other pertinent University information may be missing.

Note during fieldwork this issue was corrected by the Business Office in that a review of the invoices was performed by the Controller's Office and approval to use was granted.

Issue 6.6: Cash Deposit and Reconciling Account Duties Should Be Segregated

Athletics Business Office Manager receives the bag of funds to be deposited from the Ticket Office, deposits funds with the Cashier's Office and reconciles deposits to account balances detail and budget reporting. The Ticket Office is not performing a subsequent reconciliation to ensure that funds deposited by the Business Office posted intact.

Per BPPM 30.53, different individuals are to perform function of depositing receipts and reconciling/accounting for receipts. If this function cannot be segregated then a mitigating control such as a subsequent reconciliation can be implemented to ensure funds are deposited intact.

Under the current practice, the Ticket Office would not be aware if funds deposited, did not agree with Paciolan reports of sales for that day.

Recommendation

To ensure accountability of assets, Ticket Office should be performing a reconciliation that funds transferred to Business Office have been deposited intact and credited to the appropriate account.

Management Response:

WSU Athletics recognizes the importance of segregating deposit and reconciling duties. To that end, The Business Office will make the deposit each morning. The Ticket Office will verify the deposit into the correct account by reconciling the daily cash deposit reports on a monthly basis.

COMPLETION DATE: Completed

CRITERIA

During the course of our audit, we referred to the following rules, regulations and/or policies:

- BPPM 30.53 Cash Handling
- BPPM 30.70 Gift Transmittal
- BPPM 20.53 Property Inventory
- Washington State University – Athletic Ticketing Website
- Cougar Athletic Fund – Rules for earning points thereby allowing donor specific ticket rights
- NCAA Division 1 Regulations
- US Department of Education – Annual report for US Equity in Athletics Disclosure Act
- Internal policies as provided by Athletics

AUDIT STANDARDS

Our office follows the guidelines as promulgated by the Institute of Internal Auditors' "International Standards for the Professional Practice of internal Auditing" (IIA Standards), in carrying out the planning and engagement of audit activity. The IIA Standards require we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we included such tests of the accounting records and other procedures as we considered necessary in the circumstances.

The WSU Office of Internal Audit is not in full conformance with the IIA Standards in that a quality peer review has not yet been performed.

AUDIT TEAM INFORMATION

Internal auditors assigned to the audit include:

Lead Auditor Lenka S. Perkins
Staff Auditor Joan Wilmotte

For questions regarding this project, contact the audit supervisor, Heather Lopez, Chief Audit Executive:

Email: hlopez@wsu.edu
Phone: (509) 335-2001
Website: <http://www.internalaudit.wsu.edu>

APPENDIX A: Audit Risk and Opinion Methodology

Rating	Audit Risk Rating Criteria
High	<p style="text-align: center;">Risk has a high impact and is highly likely to occur</p> <p>This is a high-priority issue – immediate management attention is required. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:</p> <ul style="list-style-type: none"> Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited Serious violation of University strategies, policies, or values Serious reputation damage, such as negative media publicity Significant adverse regulatory impact, such as loss of operating licenses or material fines
Moderate	<p style="text-align: center;">Risk has a high impact and low likelihood, or low impact and high likelihood</p> <p>This is a medium-priority issue – timely management attention is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> Financial losses Loss of controls within the organizational entity or process being audited Reputation damage, such as negative publicity in local or regional media Adverse regulatory impact, such as public sanctions or immaterial fines
Low	<p style="text-align: center;">Risk has a low impact and low likelihood</p> <p>This is a low-priority issue – routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the unit or process being audited. Risks are limited.</p>
	<p style="text-align: center;">Areas of Proficiency</p> <p>Positive statements where internal controls, governance or risk management processes were adequately established and functioning well for each of the audited area/systems.</p>

Table of Opinion Methodology

Satisfactory	<ul style="list-style-type: none"> Control environment is adequate No findings noted Management’s control environment appears sound All high-level risks adequately controlled
Some Improvement Needed	<ul style="list-style-type: none"> Control environment is adequate but some exceptions exist Some control weaknesses and/or opportunities for improvement observed Management’s control environment appears otherwise sound High-level risks are adequately controlled
Major Improvement Needed	<ul style="list-style-type: none"> Control environment is not adequate and significant exceptions exist Some high-level risks are not adequately controlled At least one finding is rated “high” Immediate safety and soundness are not threatened, but management’s control environment requires improvement Significant exposure to fraud or security vulnerabilities

WSU COMPLIANCE RULES EDUCATION PROGRAM

PURPOSE: To regenerate and foster a cohesive educational program that will establish a culture of compliance within the Athletic Department and Washington State University communities. Further, to provide guidelines in determining the most efficient and effective means of communicating educational topics to various groups on and off campus. Each training listed below will be documented with a sign-in sheet or tracked in ARMS.

1. HEAD & ASSISTANT COACHES' MEETINGS

- a. Audience: Coaches, Operations and Senior Administrators
- b. Purpose: To provide comprehensive rules education to coaches and administrators.
- c. Scope: Bylaw specific education that includes scenarios, reminders, and new legislation in all pertinent areas. Several topics within each Bylaw will be covered.
- d. Frequency: At least 6 times per semester
- e. Example: Bylaw 17 - CARA
- f. Medium: In-Person Meetings/PowerPoint Presentations
- g. Content: Text, Scenarios, Q&A

2. ATHLETIC DEPARTMENT MEETINGS

- a. Audience: Departments within Athletics (Athletic Communications, Academic Services, Business Operations, Marketing and Promotions, Events and Facilities, Athletic Medicine, Creative Services, Equipment Operations, Information Services, Hospitality Services, Nutrition Services, Sports Video, Ticket Office, IMG, CAF, Student-Athlete Development and Wellbeing, Sports Performance)
- b. Purpose: To provide comprehensive rules education relating to specific Athletic departments.
- c. Scope: Detailed reminders, scenarios, and new legislation tailored to each departments' responsibilities. Several topics pertaining to each department.
- d. Frequency: Once per academic year (for each department)
- e. Example: Athletic Medicine – Medical Hardships
- f. Medium: In-Person Meetings/PowerPoint Presentations
- g. Content: Text, Scenarios, Q&A

3. DEPARTMENT NEWSLETTER – SCOOP SHEET

- a. Audience: All Athletic Staff and Campus Partners
- b. Purpose: To provide any pertinent reminders and legislative updates specific to a week or time within a given semester.
- c. Scope: Short reminders pertaining to annual events or time periods. Several topics discussed.
- d. Frequency: Every week during each semester
- e. Example: March Madness – Gambling (March), Thanksgiving Per Diem (November), Complimentary Admissions
- f. Medium: PDF/Email
- g. Content: Pictures, Q&A, Quizzes, Explanations, Bullet Points, Compliance Cup

4. COUG NOTES

- a. Audience: Student-Athletes
- b. Purpose: To provide time sensitive reminders to all student-athletes
- c. Scope: Very brief reminders pertaining to specific events or items that may come up (new legislation/interps). Multiple topics discussed.
- d. Frequency: Twice per month
- e. Example: Complimentary Admissions
- f. Medium: ARMS Emails

- g. Content: Text, Pictures, Videos, Interps.

5. CAMPUS PARTNERS

- a. Audience: Departments outside Athletics
- b. Purpose: To provide any pertinent reminders and legislative updates specific to a given month or time within a given semester.
- c. Scope: One page reminders and updates relevant to the department's responsibilities. Multiple topics discussed.
- d. Frequency: Once per year
- e. Example: Admissions
- f. Medium: In-Person Meetings/PowerPoint Presentations

6. SAAC MEETING

- a. Audience: Student-Athletes
- b. Purpose: To provide annual reminders relating to all areas of legislation.
- c. Scope: Bylaw specific reminders and updates to pertinent legislation. A few topics discussed.
- d. Frequency: Once per semester
- e. Example: Employment Reminders, Promotional Activity Reminders, Extra Benefits
- f. Medium: In-person meeting
- g. Content: Scenarios, Q&A

7. LOCATION SPOTS

- a. Audience: Area Businesses
- b. Purpose: To provide additional annual reminders relating to all areas of legislation.
- c. Scope: Bylaw specific reminders and updates to pertinent legislation. Multiple topics discussed.
- d. Frequency: Once per year
- e. Example: Extra Benefits
- f. Medium: Letter and in-person meeting
- g. Content: Text, Scenarios

8. BOOSTER EDUCATION

- a. Audience: Representative of Athletics Interest
- b. Purpose: To provide education to our donors.
- c. Scope: Education in season ticket holder mailings
- d. Frequency: Every time season tickets are mailed out
- e. Example: Extra Benefits, Occasional Meal, Definition of a Booster
- f. Medium: Season Ticket Booklets
- g. Content: Text, pictures, videos, interps

9. SOCIAL MEDIA

- a. Audience: General Public
- b. Purpose: To provide general reminders and time-specific reminders to a broad range of people. To show support for Washington State University Athletics, individuals, and the University at large.
- c. Scope: Very brief reminders pertaining to specific events or groups.
- d. Frequency: As necessary.
- e. Example: Congrats to WSU Tennis on beating USC for the first time in WSU History #GCT
- f. Medium: Twitter/Social Media
- g. Content: 1 Sentence text, pictures, gifs, videos, retweets

10. PARENTS

- a. Audience: Parents
- b. Purpose: To provide supplemental education to parent of student-athletes
- c. Scope: When a prospective student-athlete signs an NLI, or FAA, and in-person meetings during orientation.
- d. Frequency: As necessary.
- e. Example: Compliance Welcome Letter, Welcome To WSU!
- f. Medium: Various
- g. Content: Various

11. Student-Athletes

- a. Audience: Student-Athletes
- b. Scope: To provide education regarding eligibility, benefits, complimentary tickets, social media, playing and practice seasons
- c. Frequency: Before initial practice and end of spring semester
- d. Example: Complimentary Tickets- cannot exchange complimentary tickets for a service
- e. Medium: In-Person Meetings/PowerPoint Presentations
- f. Content: Pictures, graphics, text

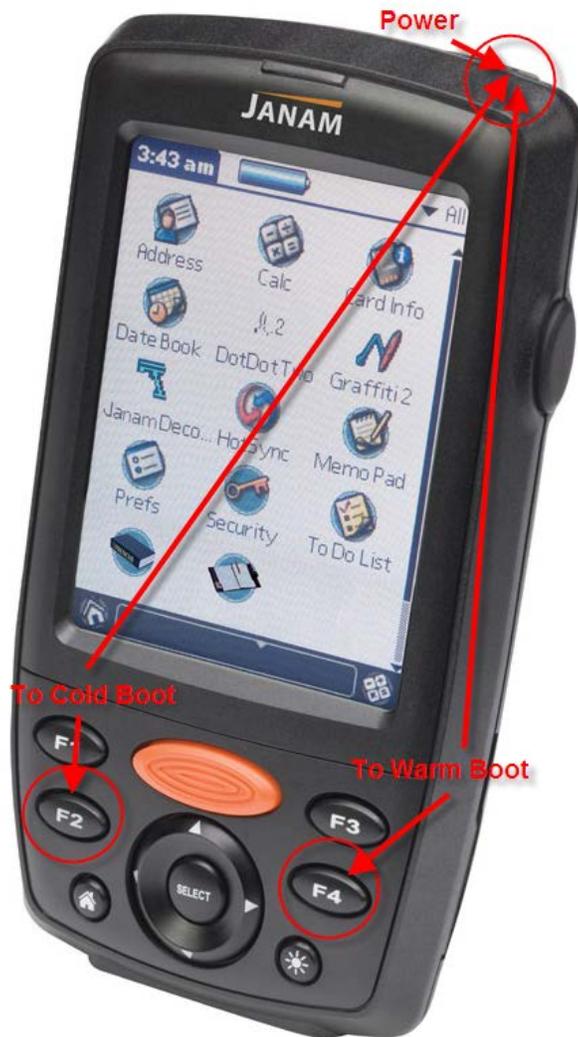
Troubleshooting a Janam Handheld



Rebooting Janam Handheld:

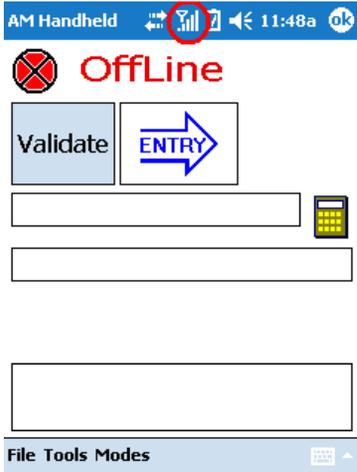
To Warm Reboot a Janam Handheld, have the user hold the F4 button along with the Power button for 5-10 seconds, until the 'Janam' screen appears.

To Cold Boot the Janam Handheld, have the user hold the F2 button along with the Power button for 5-10 seconds, until the 'Janam' screen appears.

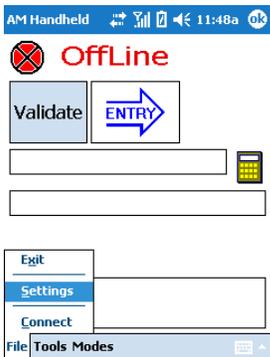


Troubleshooting Offline Janams:

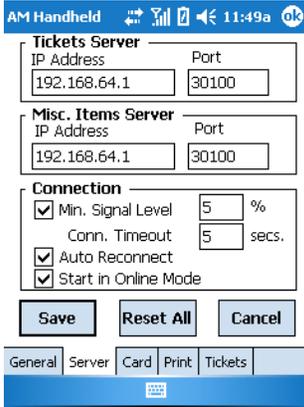
First check and see if the handheld has any wireless signal by seeing if the handheld has any wireless signal bars [as highlighted in the red circle]. If there isn't, make sure the correct Wi-Fi settings are used, and that the handheld is getting a strong signal from the AP using 'WLANTest' in the 'Utilities' section.



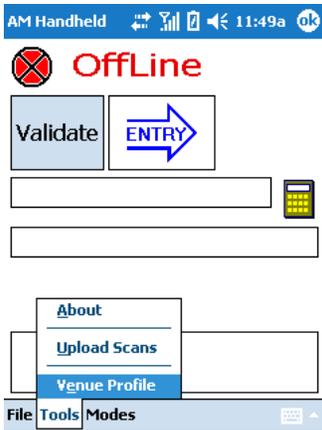
To check the AM Handheld settings, go to File > Settings



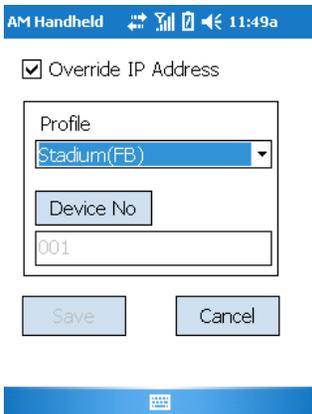
Then enter in the password 92617 to enter into the AM Handheld settings. In the AM Handheld settings, select the Sever Tab, and ensure that the server’s IP address is correct.



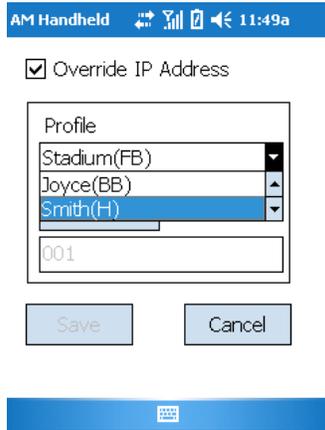
Another thing to check is to make sure that correct Venue profile is selected. To check this, go to Tools > Venue Profile



In the Venue Profile window, check the profile and see if the correct Venue is selected.



To change the profile, click on the box under the word ‘Profile’, and a drop-down window should appear with the list of all the facilities/profiles available for the handheld.



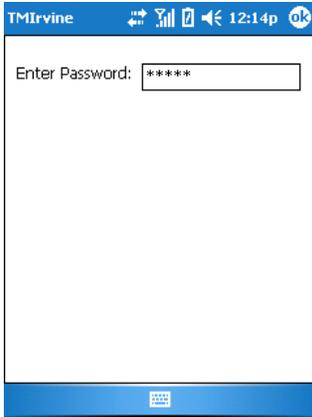
There are also utilities to check the handheld’s network connection. To use these utilities, first exit out of AM Handheld by going to File > Exit



Next, select Tools > Exit



The password to exit is also 92617:



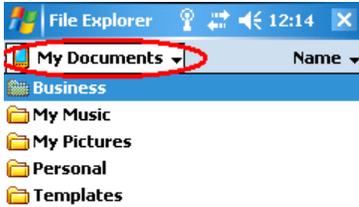
Once in the Main Windows screen, go to Start > Programs



Then select 'File Explorer'.



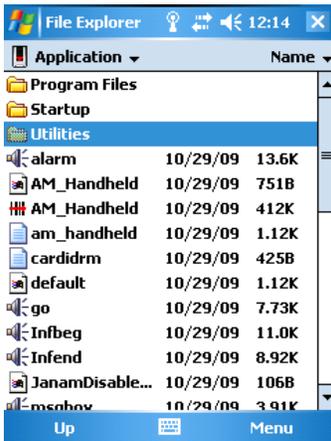
In File Explorer, selected the box that lists 'My Documents'



This will allow a drop-down window to appear. Select 'Application':



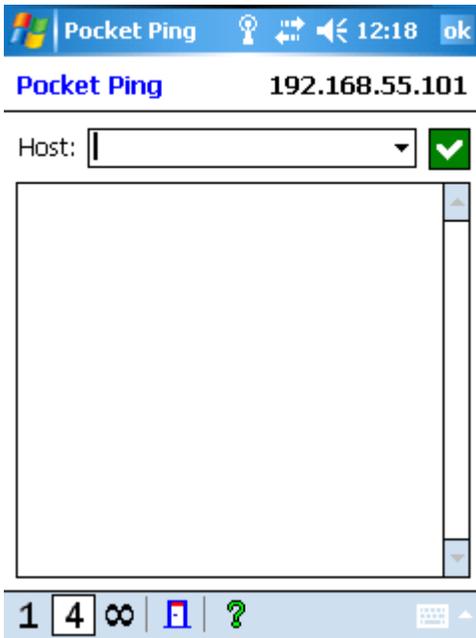
In the Application Window, double-tap the 'Utilities' folder:



There should be three tools that can be used for troubleshooting handhelds.



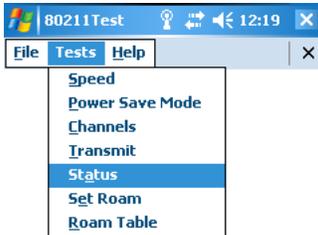
With Pocket Ping, you can enter in the IP address of the AM server, and then hit the green check to start the ping test. If any reply is returned, then the handheld can reach the AM server, and the problem may be with AM Monitor or AM Control. If no reply is received, then the issue is a network issue between the handheld to the AM server.



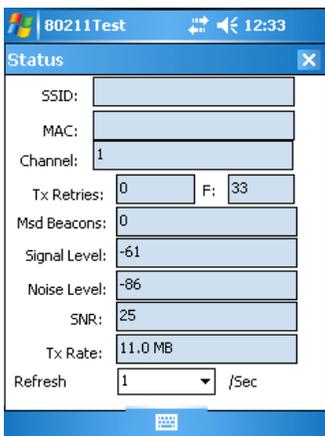
The other tool is WLAN Test. The WLAN Test is mainly used to test the wireless signal.



To see the status of the wireless signal, go to Tests > Status



The Signal Level must be at least 60 or higher. If it is lower than 60, then the problem is the wireless signal of the handheld.



Please note to run a **Warm Reboot** of the handheld after WLAN Test is used. Otherwise WLAN Test will keep running in the background.

COMPLIMENTARY ADMISSIONS (STUDENT-ATHLETES)

Purpose

The Assistant Director processes all complimentary student-athlete admissions for home and away regular season athletics contests in their sport.

Deadlines

Determined by Ticket Office

Responsible

Assistant Director, Student-Athletes, Head or Assistant Coach, Ticket Office

Applicable Forms

Student-Athlete Complimentary Admissions Pass List

Procedures

1. Complimentary admissions are requested by student-athletes online through the ARMS Student Athlete Portal.
2. Student-athletes may request up to four tickets. Student-athletes may also transfer any number of their four tickets to a teammate or teammates (this function is made available in the ARMS student-athlete portal).
3. Student-athletes must enter the full name, relationship and a phone number for each of their guests (the student-athlete portal will not allow them to submit their requests without this information).
4. Student-athletes must request the admissions before the set deadline for their upcoming contest. The deadlines for student-athlete complimentary admissions requests are determined by the Ticket Office prior to each season.
5. Once the complimentary admissions request deadline has passed, the Assistant Director logs into ARMS to review and approve the guests. The Ticket Office may then access the list in ARMS at their convenience, and print the student-athlete Guest Pass List. Once the complimentary admissions request deadline has passed, no additional requests may be submitted by student-athletes (write-ins are not allowed on the pass list).
6. For home games, as guests approach the Student-Athlete Guest entrance, the Ticket Office will check the ID's of all individuals, who must then sign their name on the pass list to confirm receipt of their admission.
7. After the contest has concluded, the Ticket Office shall return the Student-Athlete Guest Pass List to the Compliance office. The list is reviewed for any changes and kept on file.

COMPLIMENTARY ADMISSIONS

Purpose

The Assistant Director processes all complimentary recruit admission requests for sports that charge for admission at Washington State University. This ensures that all recruits are admitted to Washington State University Athletic events via a pass list only, and are not provided a hard ticket.

Deadlines

Determined by Compliance and Ticket Office prior to the start of each academic year

Responsible

Assistant Director, Head or Assistant Coach, Ticket Office

Applicable Forms

Complimentary recruit admissions are requested online through the ARMS official/unofficial workflow for monitoring and tracking purposes.

Procedures

Coaches and student-athletes request complimentary admissions through ARMS.

1. Sporting events that charge an admission fee and require a pass list include:
 - a. Baseball
 - b. Men's Basketball
 - c. Women's Basketball
 - d. Football
 - e. Women's Volleyball

2. Other sports do not charge for admission for regular-season contests and do not require a pass list. However, for sport programs who qualified for post-season competition, student-athletes may request complimentary admissions through ARMS.

3. Coaches may request a maximum of three tickets per unofficial recruit, six tickets for official recruits and two tickets for coaches exclusive to the sport they coach (high school, junior college).

4. Tickets can be requested through the Complimentary Admissions Request form of ARMS as part of an Official Visit or Unofficial Visit Request which is also submitted through ARMS.

5. For recruits: Tickets can be requested through the Complimentary Admissions Request form of ARMS as part of an Official Visit or Unofficial Visit Request which is also submitted through ARMS; list the full name of the recruit, as well as the names of any guests (as provided) if more than one admission is being given. Coaches must submit requests before the complimentary admissions request deadline for any Washington State University Athletics contest.

APPENDIX B.5: PBC – Complimentary Admissions

6. For guest coaches (high school, junior college): The representative from each sport will send an email to the Assistant Director with the names and school/team for all guest coaches. The sport representative must submit requests before the complimentary admissions request deadline for any Washington State University Athletics contest. The Assistant Director will approve or deny the request and copy the sport representative and ticket office on the decision.
7. The Assistant Director reviews the recruit complimentary admission requests and approves them using the ARMS workflow. If there are any issues with a particular request, the compliance office will suspend approval of the request and review with the coach.
8. Once the complimentary admissions request deadline has passed, and the Assistant Director has approved all remaining requests (should occur immediately after the deadline), the Ticket Office may then access the ARMS portal at their convenience, and print the Recruit Complimentary Admission Pass List.
9. As recruits approach to gain access through the pass list, the Ticket Representative will check the ID's of both the recruit and his/her guests. All individuals (recruit and guests) must sign their names on the pass list to confirm receipt of their admissions.
10. After the contest has concluded, the Ticket Office shall return the Recruit Complimentary Admissions Pass List to the Compliance office, where it will be kept on file. The Assistant Director will review the Pass List for any issues before filing.

