



**REPORT OF**

**THE**

**STATE AUDITOR**

**Boulder Campus Athletic Department  
University of Colorado**

**Follow-Up  
Performance Audit  
July 2007**

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This report contains the results of a performance audit of the University of Colorado Boulder Campus Athletic Department. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the University of Colorado.

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**Boulder Campus Athletic Department  
University of Colorado  
Follow-Up Performance Audit  
July 2007**

**Authority, Purpose, and Scope**

This follow-up performance audit of the University of Colorado's Boulder Campus Athletic Department was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The audit work, performed from January through June 2007, was conducted in accordance with generally accepted government auditing standards. The purpose of the audit was to assess the University's implementation of recommendations made in the *Boulder Campus Athletic Department, University of Colorado Performance Audit, November 2005* (2005 Audit).

**Overview**

The University of Colorado (University) is the largest higher education institution in the State, enrolling more than 50,000 students each year and employing nearly 24,000 full- and part-time faculty and staff. The University has three campuses: (1) Boulder, (2) Colorado Springs, and (3) Denver and Health Sciences Center. The University is governed by a nine-member elected Board of Regents (the Regents). The Board of Regents appoints the President and Chancellors of the University.

The Boulder Campus Athletic Department (Department) administers intercollegiate athletic programs and the Athletic Director is charged with overseeing the Department. For Fiscal Years 2005 and 2006, the Department averaged \$41.4 million in revenue and \$41.2 million in expenses annually. The Department offers summer sports camps, including football camps, for youth ages 6 to 18. Prior to June 2005, the University contracted with a private company owned by the 1999-2005 football head coach to run the football camps. The University also contracted with a number of other athletic coaches to operate camps for their sports. As of June 2005 the University began to manage the football camps and most other athletic camps in-house.

## **Key Findings**

The University agreed with all 15 recommendations contained in the 2005 Audit report. In our 2007 follow up audit, we found the University had *Implemented* eight of the recommendations, *Partially Implemented* or was *In Progress* of implementing six recommendations, and had *Not Implemented* one recommendation. A complete list of recommendations from the 2005 Audit, along with the implementation status of each, is included in Appendix A.

### **Athletic Department Controls**

The 2005 Audit found deficiencies in the Department's controls over spending and cash advances as well as poorly documented, questionable, and unallowable expenses. The 2005 Audit made five recommendations to improve controls. During the 2007 follow up, we found the University had fully implemented two of the recommendations—related to improving controls over cash advances for away games and over certain bowl game expenses—and had partially implemented or was in process of implementing the other three recommendations, as follows:

- The University is in the process of implementing a comprehensive restructuring of its procurement processes, which will be applied to the Athletic Department. According to University officials, the restructuring will be completed in March 2008, and expenses made after that date will be subject to new policies and procedures. Until the restructuring is complete the University continues to apply the same procurement policies and procedures as were in place and tested during the 2005 Audit. Therefore, we did not test expenditures incurred since the 2005 Audit, except for those related to the December 2005 Champs Sports Bowl Game, as discussed below.
- The University improved controls over bowl game travel expenses, awards, and official functions for the 2005 Champs Sports Bowl. Specifically, the University approved all members of the travel party, allowed fewer individuals to travel with the team, and did not pay bonuses to employees for their families' travel expenses. In addition, the University had documentation of bowl-game awards and recipients, implemented a stronger policy related to recognition and awards in 2006, and created official function forms for individual events associated with the bowl. However, we also found the University requested bids for a larger plane than needed to transport the football team to the bowl game. As a result, the University incurred costs for a team plane that was about \$110,000 more than for the band and cheer squad plane, even though the number of personnel who needed to be accommodated was about the same for both planes.
- The University improved the courtesy car agreements for vehicles used by coaching staff but has not finalized its policy for courtesy cars and did not have fully executed agreements for any of the cars at the time they were issued to Department staff. Specifically, 8 of the cars did not have any signed agreements and the remaining 20 agreements were signed about six

months after cars were received by the University and athletic event tickets were given to the dealers.

### **Football Camps**

The 2005 Audit noted concerns with the 2003 through 2005 summer football camps. Specifically, the camps lacked adequate cash controls to safeguard assets and had failed to collect or retain all medical release forms from camp participants. In addition, the University-run camps operated at a significant loss, some coaches failed to report supplemental income from the privately-run camps in violation of National Collegiate Athletic Association (NCAA) regulations, and the University had not conducted criminal history checks on most of the individuals who worked at the 2005 summer football camps. We made seven recommendations to strengthen management of the University's sports camps. During the 2007 follow up, we found the University had fully implemented five of the recommendations by improving reporting of required compensation information related to the camps to the NCAA and/or Big 12 Conference, bringing all sports camp operations in-house, and improving oversight of Athletic Department contractors. For the last two of the seven recommendations related to sports camps, we found the University had partially implemented one and not implemented the other, as described below.

- The Department instituted a budgeting process for camp revenues and expenses to help in setting fees and the football camps incurred a smaller loss in 2006 than in 2005 (about \$50,000 compared to about \$250,000). However, we found a continuing lack of cash controls over the camp receipts and incomplete documentation regarding camp participants, including missing medical release forms.
- The University has not developed and implemented a criminal history check policy that adequately protects youth who attend the camps. The University established a policy for sports camps in January 2007, which was then revised in June 2007. However, prior to the 2006 camps, the University conducted checks on 22 volunteer guest coaches and had pre-employment checks on 12 University employees who worked at the camps. The University had not conducted checks on another 14 University employees working at the camps who were hired prior to the implementation of the University's pre-employment check policy or on 14 volunteer guest coaches. The University completed checks on these 28 individuals after the camps took place, which provides no protection to campers or the University. No University, campus, or Department policies clearly identify which individuals involved in sports camps should undergo criminal history checks, require that checks be completed prior to the start of camps, or detail what offenses should prevent someone from being involved in the camps.

**University Administration**

The 2005 Audit reviewed a number of University-wide areas including conflicts of interest, cell phone use, and the University's procurement system. We found that some University officers and Regents had not filed all the required conflict of interest disclosures under state statutes and Regent policies, there was no systemwide cell phone policy, and the documentation for University transactions was not always sufficient to ensure that all expenses were reasonable and for University business. We made three recommendations to address these concerns. During the 2007 follow up audit, we found the University had fully implemented the recommendation related to improving the submission of conflict of interest filings. Specifically, all seven of the University officers we reviewed had filed their required disclosures in 2006, and the University had notified the Regents about their filing requirements through various communications between December 2005 and early 2007. We found the University was in the process of implementing the recommendations related to cell phones and procurement practices, as follows:

- The University implemented a *Personal Technology and Telecommunications Policy* in June 2007 which includes provisions for personal use of cell phones, determining which staff should be issued cell phones, selection of appropriate plans, and usage monitoring. In addition, the University indicated that cell phone use will be reviewed during periodic internal audits. Because the policy was put into place at the end of our audit, we did not test for compliance with the new policy during this follow-up audit.
- The University is in the process of implementing a comprehensive restructuring of its procurement processes which focuses on enforcing compliance with University policies. Until the restructuring is complete the University continues to apply the same procurement policies and procedures as were in place and tested during the 2005 Audit. Therefore, we did not test expenditures incurred since the 2005 Audit during this follow up audit.

Our recommendations and the University's responses can be found in the Recommendation Locator and in the body of this report.



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**RECOMMENDATION LOCATOR**  
**Agency Addressed: University of Colorado**

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<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	18	Finalize and implement the restructuring of the procurement processes and ensure they strengthen controls over expenses, including those of the Athletic Department, to prevent undocumented, questionable, and/or unallowable expenses.	Agree	March 2008
2	22	Ensure adherence to State Fiscal Rules and University policies by requesting quotes for charter planes that correspond to the size of the essential travel party.	Agree	July 2007
3	25	Finalize a courtesy car policy that either prohibits use of the cars by non-University employees or requires personnel who are assigned courtesy cars to obtain separate insurance for non-employee use and requires fully executed agreements for all courtesy cars before the cars are provided to the University and items of value are given to auto dealerships.	Agree	August 2007
4	30	Improve the operation of sports camps by: (a) ensuring the Boulder Campus Athletic Department adheres to state and University cash control policies; (b) providing training to Boulder Campus Athletic Department staff on cash controls; (c) establishing a policy to require staff to collect medical release forms from youth before allowing them to participate in sports camps and maintain the forms; and (d) ensuring that complete lists of all participants are created and maintained for each camp.	Agree	January 2008

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**RECOMMENDATION LOCATOR**  
**Agency Addressed: University of Colorado**

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<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
5	37	Develop and implement a policy to protect youth who attend sports camps that (a) clearly defines which individuals involved with the camps must undergo criminal history checks; (b) establishes measures to protect youth in cases where an individual has not undergone a check; (c) creates deadlines that ensure checks are completed prior to the camps; and (d) includes guidelines on which criminal histories would disqualify individuals from having contact with youth at the sports camps.	Partially Agree	November 2007
6	41	Ensure the new cell phone policy is fully implemented by completing periodic internal audits to verify compliance with the policy.	Agree	July 2007
7	43	Continue efforts to finalize and implement the restructuring of the procurement processes.	Agree	March 2008

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# Overview

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## University of Colorado

The University of Colorado (University) is the largest higher education institution in the State, enrolling more than 50,000 students each year and employing nearly 24,000 full- and part-time faculty and staff. The University has three campuses: (1) Boulder, (2) Colorado Springs, and (3) Denver and Health Sciences Center. In combination these campuses comprise 27 schools and colleges, which offer nearly 300 degree programs.

The University is governed by a nine-member Board of Regents. Board members serve staggered six-year terms and comprise one elected member from each of the State's seven congressional districts and two at-large elected members. The Board of Regents appoints the President and Chancellors of the University. The President serves three distinct roles for the University as the chief executive officer, the chief academic officer, and the chief spokesperson and interpreter of University policy. The Chancellors are the chief academic and administrative officers at the campus level and are responsible to the President for the affairs of their respective campuses, in accordance with Regent policies.

## Funding

Senate Bill 04-189 provides institutions of higher education with the opportunity to become enterprises under Section 20 of Article X of the Colorado Constitution (commonly referred to as the Taxpayer's Bill of Rights, or TABOR). In July 2004 the Regents approved a measure to designate the University as a TABOR enterprise for Fiscal Year 2005 and future years. The University qualified as a TABOR enterprise for 2005 and 2006 and is projected to qualify in 2007. Senate Bill 04-189 also ended state appropriations directly to institutions of higher education. Instead, undergraduate students receive a stipend from the State through the College Opportunity Fund. The stipend can be used at qualified public and private universities in Colorado, including the University of Colorado. In addition, the State may contract with higher education institutions for educational services. In Fiscal Year 2006 the University received \$63 million in tuition stipends and \$96 million in fee-for-service revenue under educational service contracts with the State.

The University receives funding from various sources, including student tuition and fees, gifts, contracts, grants, and auxiliary enterprises. The table below shows the University's total revenue and expenses in Fiscal Years 2005 and 2006.

<b>University of Colorado Revenue and Expenses</b>			
<b>Fiscal Years 2005 and 2006 (In Thousands)</b>			
	<b>2005</b>	<b>2006</b>	<b>% Change 2005-2006</b>
<b>Operating Revenue</b>			
Grants & Contracts	\$609,400	\$615,400	1%
Student Tuition & Fees	\$409,100	\$495,700	21%
Health Services <sup>1</sup>	\$225,200	\$243,200	8%
Auxiliary Enterprises <sup>2</sup>	\$130,600	\$135,000	3%
Other <sup>3</sup>	\$141,100	\$236,900	68%
<b>Total Operating Revenue</b>	<b>\$1,515,400</b>	<b>\$1,726,200</b>	<b>14%</b>
<b>Operating Expenses</b>			
Instruction	\$464,800	\$490,300	5%
Research	\$374,800	\$378,900	1%
Academic, Institutional & Plant Support	\$285,800	\$300,000	5%
Health Services <sup>1</sup>	\$205,000	\$219,700	7%
Auxiliary Enterprises <sup>2</sup>	\$106,000	\$102,900	-3%
Student Aid & Services	\$91,200	\$89,300	-2%
Depreciation	\$108,000	\$117,400	9%
Other <sup>4</sup>	\$52,600	\$64,200	22%
<b>Total Operating Expenses</b>	<b>\$1,688,200</b>	<b>\$1,762,700</b>	<b>4%</b>
<b>Operating Income (Loss)</b>	<b>\$(172,800)</b>	<b>\$(36,500)</b>	<b>-79%</b>
<b>Nonoperating Revenue (Expenses)</b>			
State Appropriations <sup>5</sup>	\$150,700	\$0	-100%
Gifts <sup>6</sup>	\$56,300	\$56,300	0%
Other Nonoperating Revenue (net of expenses) <sup>7</sup>	\$87,200	\$54,800	-37%
<b>Net Nonoperating Revenue</b>	<b>\$294,200</b>	<b>\$111,100</b>	<b>-62%</b>
<b>Total Other Revenue<sup>8</sup></b>	<b>\$23,100</b>	<b>\$58,300</b>	<b>152%</b>
<b>Increase in Net Assets</b>	<b>\$144,500</b>	<b>\$132,900</b>	<b>-8%</b>
Net Assets, Beginning of Year	\$1,502,900	\$1,647,400	10%
Net Assets, End of Year	\$1,647,400	\$1,780,300	8%

**Source:** University of Colorado audited financial statements for Fiscal Years 2005 and 2006. Amounts do not include component units.

<sup>1</sup> Primarily includes revenue and expenses for University Physicians, Inc. (UPI), a separate nonprofit entity. UPI performs billing and disbursement for the professional health services provided by the University.

<sup>2</sup> Facilities or services for students, faculty, and staff, such as housing, bookstore, and athletic programs.

<sup>3</sup> Includes revenue from sales and services of educational departments, rental income, and internal service centers' (e.g., copier centers) sales to the public. The 2006 figure includes income from fee-for-service contracts with the State.

<sup>4</sup> Includes public service expenses incurred from activities established to provide noninstructional services to external parties, such as community service, and miscellaneous expenses resulting from mission-related activities that do not meet the definition of University functions.

<sup>5</sup> Represents the General Assembly's annual appropriation of state general funds as well as certain cash funds, excluding capital appropriations. Pursuant to Section 23-18-201, C.R.S., which established the College Opportunity Fund, the University no longer receives the majority of state appropriations directly. Instead, resident undergraduates receive a stipend from the State that is then paid to the University as tuition. The University also receives funds from the State from fee-for-service contracts, whereby the State contracts with the University for specific educational services.

<sup>6</sup> Includes donations to the University, such as direct gifts from donors and transfers from the University of Colorado Foundation.

<sup>7</sup> Includes investment income, gain/loss on disposal of capital assets, interest expense on capital asset-related debt, and other nonoperating revenue.

<sup>8</sup> Includes state capital appropriations, capital grants and gifts, and additions to permanent endowments.

As the previous table shows, the University's operating revenue increased 14 percent and operating expenses increased 4 percent between Fiscal Years 2005 and 2006.

### **Boulder Campus Athletic Department**

The Boulder Campus Athletic Department (the Department) administers intercollegiate athletic programs, which include the following varsity sports:

- Basketball (men and women)
- Football (men)
- Cross-country (men and women)
- Golf (men and women)
- Skiing (men and women)
- Tennis (women only, men's program eliminated in 2006)
- Track and field (men and women)
- Soccer (women)
- Volleyball (women)

The Boulder Campus Athletic Director is charged with overseeing the operations of the Department, which employs more than 150 staff who are responsible for activities such as coaching and training, business operations, ticket sales, equipment management, rule compliance, and marketing. The Department also offers summer sports camps for youth ages 6 to 18. For Fiscal Years 2005 and 2006, the Department averaged \$41.4 million in revenue and \$41.2 million in expenses annually. The following table provides detail on the operating revenue and expenses for the Department for Fiscal Years 2005 and 2006, by activity.

<b>University of Colorado</b>						
<b>Operating Revenue and Expenses for the Boulder Campus Athletic Department</b>						
<b>Fiscal Years 2005 and 2006 (In Thousands)</b>						
<b>Program</b>	<b>2005</b>			<b>2006</b>		
	Revenue	Expenses	Net Profit (Loss)	Revenue	Expenses	Net Profit (Loss)
Football	\$22,054	\$10,936	\$11,118	\$23,578	\$15,942 <sup>1</sup>	\$7,636
Men's Basketball	\$3,229	\$2,666	\$563	\$4,007	\$3,057	\$950
Women's Basketball	\$673	\$1,967	\$(1,294)	\$625	\$2,210	\$(1,585)
Other Men's Sports <sup>2</sup>	\$233	\$1,522	\$(1,289)	\$242	\$1,709	\$(1,467)
Other Women's Sports <sup>3</sup>	\$1,910	\$3,442	\$(1,532)	\$2,189	\$3,877	\$(1,688)
Non-Sport Programs <sup>4</sup>	\$7,753	\$16,082	\$(8,329)	\$16,230 <sup>5</sup>	\$18,936	\$(2,706) <sup>5</sup>
<b>Total</b>	<b>\$35,852</b>	<b>\$36,615</b>	<b>\$(763)</b>	<b>\$46,871 <sup>5</sup></b>	<b>\$45,731</b>	<b>\$1,140 <sup>5</sup></b>
<p><b>Source</b> University of Colorado at Boulder Intercollegiate Athletics Department Statement of Revenues and Expenses (Unaudited) submitted by the University of Colorado to the National Collegiate Athletic Association (NCAA) for Fiscal Years 2005 and 2006.</p> <p><sup>1</sup> Football expenses increased primarily due to \$3 million in severance pay paid to the previous head coach and a \$700,000 payment to buy out the new coach's contract with his previous employer.</p> <p><sup>2</sup> Includes cross-country, golf, skiing, tennis, and track and field.</p> <p><sup>3</sup> Includes cross-country, golf, skiing, soccer, tennis, track and field, and volleyball.</p> <p><sup>4</sup> Includes the non-sport functions of the Boulder Campus Athletic Department, such as administration, the Athletic Director's office, promotions, sports information, video, sports medicine, equipment, academics, cheer squad, life skills, facilities operations, licensing, and compliance. In Fiscal Year 2006 the Boulder Campus loaned the Athletic Department \$8 million, which is included in the revenue for the non-sport programs.</p> <p><sup>5</sup> This table was prepared in accordance with NCAA requirements, which require the Fiscal Year 2006 loan from the Boulder Campus to be counted as revenue. Under generally accepted accounting principles (GAAP), this loan would not be revenue and the Department would have an operating deficit of \$6.9 million for Fiscal Year 2006.</p>						

As the table shows, the Department incurred a loss of \$763,000 in Fiscal Year 2005 and a profit of about \$1.1 million in Fiscal Year 2006. Included in the Fiscal Year 2006 figures is an \$8 million loan from the Boulder Campus to the Department that was treated as revenue for NCAA reporting purposes, but must be paid back over 12 years beginning in Fiscal Year 2008 at a rate of about \$756,500 per year. The 2006 expenses include \$3.7 million in one-time expenses related to replacing the head football coach. Under generally accepted accounting principles (GAAP), the loan would not be considered revenue and the Department would have an operating deficit of about \$6.9 million for Fiscal Year 2006.

### Football Operations

Football operations generate the highest revenue for the Department, representing over half the revenue received in Fiscal Years 2005 and 2006. The table below shows the detail on revenue and expenses incurred by football operations in Fiscal Years 2005 and 2006.

<b>University of Colorado Boulder Campus Football Operations Operating Revenue and Expenses Fiscal Years 2005 and 2006 (In Thousands)</b>			
	<b>2005</b>	<b>2006</b>	<b>% Change 2005-2006</b>
<b>Operating Revenue</b>			
Ticket Sales	\$9,877	\$10,485	6%
Conference Distribution	\$6,630	\$6,714	1%
Guarantees Received <sup>1</sup>	\$240	\$340	42%
Endowments, Donations, Contributions, & Investment Income	\$2,961	\$3,431	16%
Direct Institutional & State Support <sup>2</sup>	\$700	\$748	7%
Radio & Television	\$504	\$543	8%
Sponsorships <sup>3</sup>	\$507	\$447	-12%
Concessions & Parking	\$439	\$693	58%
Sports Camps	\$138	\$158	14%
Other <sup>4</sup>	\$58	\$19	-67%
<b>Total Operating Revenue</b>	<b>\$22,054</b>	<b>\$23,578</b>	<b>7%</b>
<b>Operating Expenses</b>			
Salaries & Benefits	\$3,274	\$3,569	9%
Severance Payments <sup>5</sup>	\$0	\$3,044	NA
Financial Aid <sup>2</sup>	\$2,524	\$2,832	12%
Team Travel	\$1,083	\$1,385	28%
Guarantees Paid <sup>1</sup>	\$950	\$900	-5%
Game Day Expenses	\$1,633	\$1,511	-7%
Recruiting	\$240	\$375	56%
Equipment & Supplies	\$595	\$456	-23%
Maintenance & Rentals	\$51	\$160	214%
Medical & Insurance	\$193	\$187	-3%
Sports Camps <sup>6</sup>	\$110	\$91	-17%
Other <sup>7</sup>	\$283	\$1,432	406%
<b>Total Operating Expenses</b>	<b>\$10,936</b>	<b>\$15,942</b>	<b>46%</b>
<b>Excess/(Deficiency) of Revenue Over Expenses</b>	<b>\$11,118</b>	<b>\$7,636</b>	<b>-31%</b>
<p><b>Source:</b> University of Colorado at Boulder Intercollegiate Athletics Department Statement of Revenues and Expenses (unaudited) submitted by the University of Colorado to the NCAA for Fiscal Years 2005 and 2006.</p> <p><sup>1</sup> The Department receives financial guarantees when the football team plays a non-conference game at another school and pays guarantees when other schools play non-conference games at the University.</p> <p><sup>2</sup> The football program receives support from various sources, including the Colorado Commission on Higher Education and the Boulder Campus to help offset expenses related to the provision of financial aid to student-athletes.</p> <p><sup>3</sup> Includes funds paid to the University through its contract with Nike and as part of corporate sponsor days. On a corporate sponsor day, the particular sponsor is mentioned on programs, shakers, tickets, and billboards.</p> <p><sup>4</sup> Includes revenue from game program advertisements, commissions on the sale of shirts and novelty items, and payments from fans to attend a banquet after the season ends.</p> <p><sup>5</sup> In Fiscal Year 2006 the Athletic Department incurred one time severance pay expenses associated with replacing the head football coach.</p> <p><sup>6</sup> Does not include coaches' salaries and benefits for camps, which are included in the "Salaries &amp; Benefits" line.</p> <p><sup>7</sup> Includes costs for fundraising, marketing, and membership dues. The 2006 figure also includes \$700,000 paid to Boise State University to buy out the contract of the new head football coach.</p>			

The football program comprises 94 players and 19 staff. In addition to coaching players and recruiting prospective student athletes, the football program administers summer football camps. The University uses both existing University staff and volunteers to operate the camps.

## **NCAA and Big 12 Conference**

The Department is a Division I member of the National Collegiate Athletic Association (NCAA) which is made up of more than 1,280 colleges, universities, and conferences. As a condition of its NCAA membership, the University must adhere to NCAA rules. Some of the key requirements established by the NCAA include rules related to:

- Institutional control over the conduct and compliance of athletics programs.
- Recruiting of prospective student athletes.
- Conduct and employment of athletic personnel.
- Ethical conduct of all employees and student-athletes.
- Awards, benefits, and expenses for enrolled student athletes.

The NCAA requires all member institutions to have a qualified independent auditor perform certain procedures on their athletic departments' financial records each year and to conduct a comprehensive self-study of their intercollegiate athletics programs at least once every 10 years. The University's current certification is based on a self-study performed in 2004. The University is also responsible for monitoring compliance by staff, students, and defined outside entities with NCAA requirements and reporting any violations it identifies to the NCAA or the Big 12 Conference.

The NCAA has established two types of rule violations: (1) secondary violations, which are isolated or inadvertent in nature and provide only minimal recruiting or other advantages, and (2) major violations, which are all violations other than secondary violations, specifically including those that provide an extensive recruiting or competitive advantage. In Fiscal Year 2006 the University reported 17 secondary violations to the NCAA or Big 12 Conference, compared with 30 in 2005. The University reported a secondary infraction to the NCAA in September of 2005 that was elevated by the NCAA to the level of a major infraction during the fall of 2006.

The University is also a member of the Big 12 Conference and represents the Conference in national post-season competition, such as championship and bowl games. The Conference promotes its 12 member institutions by sponsoring varsity intercollegiate athletic competitions, executing bowl agreements, and negotiating



contracts for television opportunities. The Conference also adopts rules in some areas not addressed by the NCAA, including size restrictions for team travel squads.

### **Audit Scope and Methodology**

The primary focus of the audit was to determine the implementation status of recommendations made in the *Boulder Campus Athletic Department, University of Colorado Performance Audit, November 2005*. This follow-up audit reviewed most of the areas covered in the 2005 audit, which include the Athletic Department's controls over cash and spending, controls over the football camps, the University's oversight and management of the Boulder Campus Athletic Department, and University-wide administrative practices related to cell phones and disclosure of conflicts of interest. This audit did not include testing related to two recommendations regarding procurement controls, because the University is in the process of changing its procurement policies and procedures.

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# Athletic Department Controls

## Chapter 1

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As discussed in the Overview, the Boulder Campus Athletic Department (Department) averaged about \$41.4 million in revenue over the last two fiscal years. Over half the revenue was from the Department's football operations—primarily from ticket sales, conference distributions, and gifts from donors. Over these two years, football and men's basketball were the only sports programs in the Department that made a profit. The Department as a whole experienced a net loss in Fiscal Year 2005 of about \$763,000 resulting in a deficit balance in net assets at year-end of about \$904,000. In Fiscal Year 2006, Boulder Campus extended the Department a loan of \$8 million. The loan was intended to cover the deficit balance in net assets and funding shortfalls and must be repaid over 12 years beginning in Fiscal Year 2008 at a rate of about \$756,500 per year.

The 2005 Audit conducted by the Office of the State Auditor at the Department found deficiencies in controls over spending and cash advances as well as poorly documented, questionable, and unallowable expenses. During this follow-up audit we evaluated the actions taken by the University to implement the recommendations in the audit. The follow-up included a review of controls over cash and of a sample of expenses related to the December 2005 football bowl game. We found that the University has improved controls in some areas, but that there continue to be deficiencies in two areas, as discussed in this chapter.

### Cash Advances

Department staff typically obtain cash advances for away games for various athletic programs. One staff member from the Department is responsible for requesting all cash advances for away games; disbursing the cash to students and staff before, during, and after a game; completing and submitting the travel voucher forms to the University; and returning any unused cash.

In the 2005 Audit we found that the Department received larger cash advances than necessary for bowl games. Specifically, we found the Department received cash advances of \$115,000 each for football bowl games in 2002 and 2004 but only used about 50 to 65 percent of the advances, returning the rest to the University. As a result, we recommended the University strengthen controls over cash advances issued to the Boulder Campus Athletic Department by exploring options for paying staff travel expenses and student per diems to significantly reduce or eliminate the

use of cash advances and allow for proper controls and efficiencies (2005 Audit Recommendation No. 1).

**2007 Auditor Assessment:** *Implemented.*

During our 2007 follow-up we found that the University has improved its oversight of cash advances. Specifically, the University issued a smaller cash advance of \$85,000 for the December 2005 football bowl game compared with the \$115,000 for each of the prior two bowl games. This reduction was primarily a result of the fact that the Department did not request an advance in excess of its projected needs and did not use the cash advance to pay for staff expenses, such as lodging and car rentals. Instead, the University paid these staff expenses through invoices and credit cards. In addition, the University Controller's Office reviewed and reduced the advance amount by \$10,000 from the \$95,000 originally requested by the Department, prior to approving the advance. The Department used about 95 percent of the total advance amount, mostly for student and staff per diems. The University reported that it explored other options for student and staff per diems, such as the use of debit cards, but believes the cash advance offers the most flexibility and security. We reviewed the supporting documentation for all of the expenses made using the cash advance and did not identify any unallowable expenses or lack of support for the expenses.

Subsequent to the period we tested, in February 2007, the University implemented a cash advance policy intended to strengthen controls over travel advances. Under the policy employees may obtain advances to support University travel, including group travel such as to a bowl game. The policy includes the following requirements:

- A budget showing anticipated expenses must be submitted to the University's procurement services center. The procurement services center will determine if the requested amount and provided justification are reasonable given the nature and circumstances of the travel.
- Advanced funds must be auditable at any time. Cash on hand plus receipts or logs must equal the total amount of the advance. Adequate security over the funds must be agreed to and be in place. The prevention of theft or loss of the funds is the responsibility of the employee who made the cash advance request.
- The employee who requested the cash advance is responsible for submitting a travel voucher showing the amount of the advance that

was used for travel. The travel voucher and repayment, if any, must be submitted within 30 days of the end of the trip for group travel advances over \$10,000.

## Controls Over Spending

All departments within the University are required to follow state statutes, State Fiscal Rules, and University policies and procedures when procuring goods and services. During the 2005 Audit we found weaknesses in University procedures that led to poorly documented, questionable, and/or unallowable expenses by the Department.

As a result of the problems we found, we recommended the University ensure that the Athletic Department (a) maintain documentation to support all expense transactions in accordance with State Fiscal Rules and University policies; (b) provide additional training and assistance to appropriate University staff regarding documentation of the reasonableness and business purpose of sensitive expenses; and (c) follow up on concerns noted in both external and internal audits and consider performing periodic internal audits that focus on compliance with policies and procedures over football operations expenses (2005 Audit Recommendation No. 2).

### **2007 Auditor Assessment: *In Progress.***

During our 2007 follow-up audit, the University informed us that it was in the process of implementing this recommendation by undergoing a comprehensive restructuring of its procurement processes, which will be applied to the Athletic Department. According to University officials, expenses made after the restructuring is completed will be subject to new policies and procedures. In addition, the University's internal audit department plans to conduct a follow-up audit in Fiscal Year 2008 once the policies and procedures are in place.

Because the University reported that implementation of this recommendation was in progress and expenditures made during December 2005 through March 2007 were subject to the same procurement policies and procedures as those tested during the 2005 Audit, we did not test expenditures to determine the implementation status of this recommendation. However, the University stated that it improved controls over the expenses made during the December 2005 Champs Sports Bowl Game. We discuss the testing of these expenses in the next section of the report.

## **Recommendation No. 1:**

The University of Colorado should continue its efforts to finalize and implement the restructuring of its procurement processes. The University should ensure that the new processes strengthen controls over expenses, including those of the Athletic Department, to prevent undocumented, questionable, and/or unallowable expenses.

### **University of Colorado Response:**

Agree. Implementation date: March 2008.

The University is undergoing a comprehensive restructuring of its procurement processes as described in the University's response to Recommendation No. 7 of this report. This restructuring is anticipated to be substantially complete by March 2008. The results of this comprehensive restructuring will be applied to Athletics.

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## **Bowl Game Expenses**

Between 2001 and 2004 the University's football team participated in three post-season bowl games: the 2002 Fiesta Bowl, the 2002 Alamo Bowl, and the 2004 Houston Bowl. Our 2005 Audit evaluated the University's controls and processes related to bowl games in a number of areas and tested a sample of expense transactions and found problems including:

- **Questionable Expenses** due to a general lack of adequate review of bowl game expenses, noncompliance with policies, insufficient documentation to support the business purposes, and a lack of required approvals for some bowl game expenses. These included the costs of some of the awards the Department provided related to the bowl games. The Department did not have documentation to show who received some of the awards, and in some instances, awards were given to family members of Department staff.
- **Costs for Bowl Travel.** We found a lack of adequate documentation to show that the use of a charter plane was the most economical means of transportation and to indicate who was included in the trips. In addition, the University did not have approvals for the composition of the official travel party for the bowl games, although the University's policies and the Department's *Post-Season Guidelines* require such approval. For one of the

bowl games, we found the University did not receive reimbursements for some guests who traveled with the official party on the charter plane.

- **Official Functions** (such as receptions, luncheons, and parties) related to football bowl games that were not adequately documented, lacked detailed information about each function, and were sometimes miscoded in the accounting system.

As a result of these problems, we made the following two recommendations.

First, the University should adhere to State Fiscal Rules and University policies by (a) ensuring an appropriate University official provides prior written approval for the official travel party and for awards given for bowl games; and (b) requiring staff to provide detailed information on each official function held as part of a bowl game (2005 Audit Recommendation No. 3).

Second, the University should ensure that the Athletic Department adheres to State Fiscal Rules and University policies by (a) maintaining documentation to support all football bowl game expense transactions; (b) obtaining payment from certain guests traveling on charter planes to bowl games; (c) clearly defining who is eligible to receive awards for bowl games, the documentation required for all awards given out, consequences for issuing awards in violation of NCAA requirements, and mechanisms to report such violations; (d) discontinuing payments for employees' family members to attend bowl games and limiting or eliminating awards for family members; and (e) ensuring that staff attach official function forms to payment vouchers and properly record official functions in the general ledger (2005 Audit Recommendation No. 4).

**2007 Auditor Assessment:**

*Recommendation No. 3—Implemented.*

*Recommendation No. 4—Partially Implemented.*

During our follow-up audit we reviewed the 2005 Champs Sports Bowl Game to determine if the University improved its controls over bowl game expenses. As shown in the table below, the University received about \$967,000 in revenue and incurred about \$993,000 in expenses associated with the bowl, resulting in a loss of about \$26,000.

<b>University of Colorado</b>	
<b>Revenue and Expenses for the 2005 Champs Sports Bowl</b>	
<b>Revenue</b>	
Payment by Big 12 Conference & Bowl Authority	\$900,474
Ticket Receipts <sup>1</sup>	\$66,160
<b>Total Revenue</b>	<b>\$966,634</b>
<b>Expenses</b>	
Travel <sup>2</sup>	\$660,596
Payroll/benefits	\$148,508
Entertainment <sup>3</sup>	\$49,563
Awards <sup>4</sup>	\$40,900
Other <sup>5</sup>	\$93,178
<b>Total Expenses</b>	<b>\$992,745</b>
<b>Excess (Deficiency) of Revenue Over Expenses</b>	<b>\$(26,111)</b>
<b>Source:</b> Information provided by the University of Colorado.	
<sup>1</sup> Includes revenue from tickets sold for the bowl games and associated special events.	
<sup>2</sup> Includes gas, car rentals, airfare, other transportation services, lodging, and meals.	
<sup>3</sup> Includes tickets to the bowl game and to associated events for the official travel party (which consists of individuals representing the University at the bowl game).	
<sup>4</sup> Includes awards given to student athletes, Department staff, and their families.	
<sup>5</sup> Includes administrative and medical costs, football equipment/supplies, office supplies, photography services, copying, printing, and postage.	

We reviewed University policies, interviewed staff regarding management of bowl operations, and obtained documentation of bowl revenue and expenses, awards, and official functions. We found there was improvement in the University's management and oversight of bowl game expenses.

First, the University improved controls over travel expenses associated with the 2005 bowl game. Specifically, the appropriate University officials approved all members of the travel party, and fewer individuals were allowed to travel with the team. Furthermore, the University did not pay Department staff per diems for their families and issued a memo shortly prior to the 2005 bowl game requiring family members to pay \$100 and guests to pay \$127.50 each way (\$200 and \$255, respectively, round-trip) for their flights between Denver and Orlando, where the bowl game was held. The University collected these fees from 42 family members and guests for a total of \$7,700 but did not receive payment for the remaining 17 family members totaling about \$3,400. All of the staff members who failed to make payments for family members have since ended their employment with the University. The University states that it was not cost-effective to collect from these individuals and instead, in June 2007 put the owed amounts on the former employees' corrected 2005 W-2 forms.



Second, the University strengthened its policies and procedures related to bowl awards. The University had improved documentation of those receiving awards and the composition of their award packages. Further, awards were given primarily to players, coaches, and Department staff. Awards provided to family members were limited to patches that provided admission to a pre-bowl event at a total cost of \$500. The University also implemented a new University-wide policy for recognition and awards in 2006, which requires staff to list all eligible award recipients and to provide a description of awards to be distributed when providing non cash awards valued at \$100 or more. In addition, the Department implemented a new participation awards policy in 2006, under which all awards given to student athletes, including bowl awards, must be reported to the Compliance Office.

Finally, the University improved its documentation of official functions for the 2005 bowl game by discontinuing the practice of completing one official function form for all official functions related to the game and including official function forms for individual events with payment vouchers for the 2005 bowl game. With the exception of a post-game meal, the University had forms on file for each official function and properly recorded all but one of the official functions in its financial reporting system. We conducted testing on a sample of 20 transactions related to the bowl to determine whether appropriate forms were completed and approvals were received for each. We found the University had all required documentation on file for these 20 transactions.

Despite these improvements, we identified one remaining weakness in the University's oversight of bowl game expenses as described below.

**Charter Plane.** State Fiscal Rules contain a number of stipulations regarding allowable travel costs. Specifically, the Fiscal Rules require that the most economical means of travel must be used and do not allow for the payment of costs for family members traveling with a state employee. We found the University did not use the most economical means of travel to transport the football team to the 2005 bowl game.

The University used two round-trip charter planes for the 2005 bowl. One plane was primarily used to transport the team, coaches, and athletic department staff, and the other was used for the band and cheer squad. We found that the University requested quotes for a team plane that was significantly larger than necessary to accommodate the 161 individuals, including members of the football team, coaches, and athletic department personnel, who needed to attend the bowl game. Specifically, on December 5, 2005, the University requested quotes for a team plane with a minimum capacity of 220 passengers and ultimately contracted for a 232-passenger plane at a cost of \$218,500. This cost is about twice the \$109,000 paid for the 172-passenger plane used for the band and cheer squad. Thus, by requesting bids for a larger team

plane than necessary, the University incurred additional costs, which, based on the cost of the band plane, could be about \$110,000. The University allowed 59 passengers who were primarily family members of coaches and staff to fill seats on the team plane and, as noted above, collected about \$7,700 for their travel.

The University did not provide documentation as to why it requested quotes for a team plane that could carry one-third more passengers than needed to attend the bowl game. University officials indicated that they subsequently requested quotes for a smaller plane but that none was available. However, the University was unable to provide sufficient evidence showing the subsequent request and lack of availability of a smaller plane.

The University's *Football Bowl Game Representational Guidelines* recognize the importance of using an economical means of travel by stating:

In soliciting bids for charter air transportation the University will employ a . . . priority list to determine the minimum capacity aircraft necessary to transport (a) those individuals without whom the bowl game cannot occur and (b) those individuals who are necessary to meet the basic representational obligations at the bowl game . . . [T]he aircraft will be sized to accommodate [this priority list] . . . only. Under no circumstances will the University "size" its aircraft requirements to intentionally generate excess capacity for . . . family members . . . or for invited guests . . .

According to the University, these Guidelines were being developed in late 2005 but were not finalized before the initial requests for the charter plane bids were issued.

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## **Recommendation No. 2:**

The University of Colorado should continue to strengthen controls over football bowl games to ensure adherence to State Fiscal Rules and University policies by requesting quotes for charter planes that correspond to the size of the essential travel party.

### **University of Colorado Response:**

Agree. Implementation date: July 2007.

The University believes that it now has adequate controls over charter planes. However, we recognize our process to obtain a charter plane was not perfect from the start, given the timing of the 2005 Audit and bowl game. The

policy requirements related to essential personnel were still being drafted at the time the initial charter plane bid was released, but completed before a charter plane was finally procured. Revised bid requests were subsequently made consistent with the completed policy, but unfortunately, the University failed to maintain sufficient evidence of our requests to amend the size of the plane requested. For future bowl games, we will have complete policy and procedures in place from the beginning of the procurement process, which will position the University to have sufficient evidence to demonstrate our compliance.

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## Courtesy Cars

Each year, University coaches receive courtesy vehicles from local auto dealerships to use for both University and personal business. In exchange for the vehicles, the University gives the dealerships athletic event tickets. The University records the cost of the tickets issued in exchange for the cars in its accounting system and reports the annual lease value of each vehicle on the appropriate employee's W-2 form. Additionally, the University pays for insurance and registration fees for the vehicles.

During the 2005 Audit we assessed how the cars are used by football coaches and tracked by the Department. We noted several concerns:

- Lack of clarity regarding insurance for spouses, which creates a risk for the University. University policy allowed spouses to use courtesy cars on an "occasional basis" if the University employee obtained separate insurance for this use. However, only one coach we interviewed reported that he had separate insurance for his spouse's use of his courtesy car.
- Lacking and inadequate written agreements for courtesy cars. The University did not have any written agreements for many of the courtesy cars, and the agreements that were in place did not include terms related to the University's use of the vehicles (e.g., mileage limitations or insurance coverage) or the duration of the agreement. Further, the agreements were issued without the approval of the University's Legal Counsel, in violation of State and University procurement requirements.
- Misrepresentation of automatic deductions from the monthly pay of each staff member with a courtesy car. The deductions, recorded in University accounting as payments to cover insurance costs, were actually sent to the University of Colorado Foundation as tax deductible donations that then benefitted the Department.

As a result of the problems we found, we recommended the University establish a systemwide courtesy car policy that (a) prohibits the use of courtesy cars by non-university personnel; (b) requires all agreements to be fully executed before the cars are provided to the University and before items of value, such as athletic tickets, are given to auto dealerships; and (c) discontinues the monthly deductions from staff who have courtesy cars for donation to the Foundation (2005 Audit Recommendation No. 5).

**2007 Auditor Assessment:** *Partially Implemented.*

During our 2007 follow-up audit, we requested a copy of the University's courtesy car policy. The University provided a draft policy that we reviewed along with the courtesy car agreements for Fiscal Year 2007. In Fiscal Year 2007 the University had 28 courtesy cars, all of which were used by the Athletic Department.

We found the University improved the courtesy car agreements by listing the number, types, and value of athletic tickets the Department provides to the dealerships; describing the cars that are part of the agreement; including terms regarding maintenance and insurance; and stating the duration of the agreement. In addition, the agreements had a signature page for the Athletic Department Director, the Vice Chancellor for Administration, University Counsel, and the dealerships. The University also discontinued the practice of deducting funds from the pay of individuals who have courtesy cars as donations to the University of Colorado Foundation.

However, we identified some ongoing problems with the University's management of courtesy cars. First, the University has not finalized its policy for courtesy cars. The draft policy requires University employees to provide separate insurance for their spouses' use of the courtesy cars. However, until the policy is formally adopted, this requirement is not in effect. The University states that it is working with the Office of the State Controller on this issue before finalizing the policy. Second, the University did not have fully executed agreements for any of the courtesy cars at the time the cars were issued to Department staff. Specifically, 8 of the cars did not have any signed agreements, and the remaining 20 agreements were signed about six months after cars were received by staff and tickets were given to the dealers.

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### **Recommendation No. 3:**

The University of Colorado should finalize the draft courtesy car policy. The University should ensure the final policy either prohibits use of the cars by non-University employees or requires personnel who are assigned courtesy cars to obtain separate insurance for any non-employee use. The policy should also require staff to certify that they have obtained any required insurance. In addition, the University should ensure that it has fully executed agreements for all courtesy cars before the cars are provided to the University and items of value are given to auto dealerships.

### **University of Colorado Response:**

Agree. Implementation date: August 2007.

The University obtained the necessary prerequisite authority for courtesy cars on July 3, 2007, from the State Controller. We are now in the process of adopting and implementing our draft policy. The draft policy:

- Prohibits non-University employees' use of courtesy cars unless for official University business or emergency situations.
- Requires all agreements to be fully executed prior to taking custody of the cars or forsaking any University asset.
- Requires individuals to certify they have insurance for any non-employee use.

This policy should be adopted by August 2007.

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# Football Camps

## Chapter 2

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The Boulder Campus Athletic Department (the Department) offers summer sports camps, including football camps, for youth ages 6 to 18. The camps are intended to support and enhance the public image of the sports programs and the University. Prior to June 2005, the University contracted with a private company owned by the 1999-2005 football head coach to run the football camps. The University also contracted with a number of other athletic coaches, such as the men's and women's basketball coaches and the soccer coach, to operate camps for their sports. As of June 2005 the University began to manage all athletic camps in-house except men's basketball, which continued to be operated by the basketball head coach through 2006 due to contractual obligations. University staff register camp participants, collect registration fees, and carry out the day-to-day operations of the camps. The Department's Business Office is responsible for depositing revenue collected from the camps, paying camp expenses, and handling the books and records for the camps.

### Football Camp Operations

Football camps may generate revenue from various sources, such as participant registration fees, equipment rental fees, and donations. Camp disbursements are made for costs such as advertising, dorms for participants, and compensation to camp workers. During the 2005 Audit we reviewed the private operations of football camps in 2003 and 2004 and the football camps the University had run in-house in 2005. We noted concerns regarding both the privately-operated and University-run camps, including that both lacked adequate cash controls and had failed to collect and retain all medical release forms. In addition, the University-run camps operated at a loss of \$250,000 in 2005. We also found that during the time the camps were privately run, coaches received supplemental income from the camps but did not report it to the University, which is a National Collegiate Athletic Association (NCAA) violation. Finally, we found that the University was continuing to contract with a private company owned by the men's basketball head coach to conduct the men's basketball camps. As a result of the issues we found with the football camps, we made three recommendations as discussed below.

First, we recommended the University improve its oversight of sports camps operated in-house by (a) ensuring that the Athletic Department adheres to state and University cash control policies when handling cash for the football camps and providing training and guidance to Department staff on cash control policies and

procedures; (b) establishing a policy to require Athletic Department staff to collect all medical release forms before allowing youth to participate in sports camps, requiring staff to maintain the forms, and enforcing the requirements; (c) conducting periodic reviews of the financial operations of sports camps to ensure compliance with requirements; and (d) analyzing the revenue and expenses of sports camps operations to control costs and ensure that fees are appropriately set (2005 Audit Recommendation No. 6).

**2007 Auditor Assessment:** *Partially Implemented.*

During our 2007 follow-up we interviewed staff and reviewed the financial records and other documentation maintained by the University for the Calendar Year 2006 football camps. We also reviewed draft policies and procedures for all athletic camps. We found the University had made improvements in its operation of the football camps. Specifically, the camps incurred a smaller loss in 2006 and instituted a budgeting process for camp revenue and expenses to help in setting fees. We found the budget for the 2006 camps did not include the head coach's salary; however, the University provided a budget which it indicated was for the 2007 camps that included information about the head coach's salary.

We also identified problems similar to those noted in the 2005 Audit related to the University's management of the football camps, as discussed below.

**Cash Controls.** According to the University, most of the nearly \$153,000 in revenue generated by the 2006 football camps was from registration fees. However, the University did not record registrations separately from other camp revenue, so we could not verify the amounts received from different sources. Registration fees may be paid online, by mail, or in person on the first day of camp. We were able to determine from Department records that about \$14,300 in cash and check payments were made to the University for two of the largest camps.

We also reviewed the process used by football operations staff to collect, record, and deposit all cash and checks collected for the five football camps occurring in 2006. We found the Department continued to lack adequate cash controls for its camp operations in two specific areas. First, we found that football operations staff did not issue receipts for about \$5,500 of the nearly \$14,300 (38 percent) in transactions involving cash and checks at two of the largest camps. Camp staff report that receipts are only issued if requested by campers. However, Boulder campus policy requires departments to document individual sales involving cash or checks with duplicate, pre-numbered sales receipts, which should include the date, a description of the items sold, and the form of payment. Departments must



provide each payee with a copy of the receipt and retain a copy for University records. Second, we found the Department did not clearly document which day's cash receipts were included in each specific bank deposit. As a result, we could not verify that all cash received was deposited. University policy requires cash receipts to be balanced daily to the accounting system and to cash records. We also found that the University has not conducted cash handling training for all Department staff who receive cash at the camps.

In addition to our own testing, the 2006 review of the tennis, soccer, and women's basketball camps conducted by an independent auditor to meet NCAA requirements as part of the University's annual independent audit noted several cash control issues. These included a difference of about \$6,500 in the soccer camp cash receipt reconciliation, discrepancies between cash receipts and the fee schedule for one of the four soccer camp transactions tested, and insufficient detail on the cash receipt descriptions for the women's basketball camp to reconcile the amounts charged with the fee schedule.

**Medical Release Forms.** The Department requires camp participants to submit medical release and treatment consent forms signed by their parent or guardian. The forms give the University permission to treat the participant for injuries and relieve the University and its staff from liability for costs resulting from injuries suffered at camp. The forms are intended to minimize the liability to the University, the Board of Regents, and the State of Colorado when participants are injured. We reviewed all medical release forms provided by the University for football camps operated in 2006 and found that 81 of the forms, or about 7 percent, were missing, incomplete, or not signed by a parent or guardian. According to camp staff, they accepted verbal consents and handwritten notes in lieu of the official forms in several cases and allowed some participants to engage in camp activities while they waited for parents to send in a signed form by fax. According to the University, 20 camp participants received some type of medical assistance from the University during 2006 football camps. We found that the University did not have medical release forms for four of those treated. As of June 2007, the University had not implemented policies and procedures to ensure that medical release forms are collected before youth are allowed to participate in the camps and are maintained.

**Camp Lists.** We requested lists of participants for each of the five football camps held by the University in 2006 and found the University did not have complete lists for some of the camps. For example, high school coaches were responsible for submitting the participant lists to the Department for the team passing camp. A Department summary of these lists indicates that 475

participants were expected. However, Department staff informed us that the participant lists for this camp were not accurate because high school coaches often substituted players on the day of the camp without updating the list. Because fees for this camp were charged on a per team rather than a per player basis, the Department only recorded the teams participating and did not believe it was necessary to create its own list of individual participants. Further, registration lists provided for other camps were disorganized and had many handwritten notes that were not always legible. Because of these issues, we do not believe that the football camp lists accurately identify all camp participants. Complete participant lists are important because they allow cash receipts to be reconciled, enable Department staff to ensure that all participants have turned in medical release forms, and help staff account for all campers in attendance.

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#### **Recommendation No. 4:**

The University of Colorado should improve its in-house operation of sports camps by:

- a. Ensuring that the Boulder Campus Athletic Department adheres to state and University cash control policies when handling cash for the camps.
- b. Providing training and guidance to Department staff on cash control policies and procedures.
- c. Establishing a policy to require Boulder Campus Athletic Department staff to collect all medical release forms from youth before allowing them to participate in sports camps and require staff to maintain the forms. The policy should include mechanisms to enforce the requirements.
- d. Ensuring that complete lists of all participants are created and maintained for each camp.

#### **University of Colorado Response:**

Agree. Implementation date: January 2008.

The University is committed to improving its in-house operations of sports camps and other operations. We continue our improvement efforts by:

- Enhancing University cash control policies and training available to campuses and departments.

- Ensuring that the Boulder Campus Athletic Department staff participates in the University training and properly implements University policy.
- Designing, documenting and implementing procedures to ensure all medical release forms are properly collected before a youth participates in camp activities.
- Designing, documenting and implementing procedures to ensure complete lists of camp participants.

All new policy and procedures will be fully implemented by January 2008.

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The other two recommendations we made regarding the operation of sports camps were for the University to report the violations we identified related to supplemental income for the 2002 through 2004 football camps; consider whether any additional steps, such as disciplinary actions, should be taken on personnel responsible for the violations (2005 Audit Recommendation No. 7); and work toward bringing the administration of the men's basketball camps in-house (2005 Audit Recommendation No. 8).

**2007 Auditor Assessment:** *Both Recommendations Implemented.*

During our 2007 follow-up we found the University had reported the supplemental income violations related to the 2002 through 2004 camps to the Big 12, had issued a letter of admonishment to the 1999-2005 head coach, and had provided supplemental income rules education to staff. In addition, the University brought the administration of the basketball camps in-house starting in 2007.

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## Contract Oversight

State Fiscal Rules require state agencies and institutions of higher education to establish state contracts for personal services over a specified amount (\$50,000 at the time of our 2005 Audit; \$100,000 as of August 2005). Additionally, Fiscal Rules mandate that the chief executive officer or delegate of the agency or institution sign all contracts. The State provides direction on drafting and monitoring contracts in the *Contract Management Guide* issued by the State Controller, which notes that contract monitoring is intended to ensure that legal obligations are fulfilled and acceptable levels of service are provided.

During the 2005 Audit we reviewed contracts established between the University and private entities operating sports camps and noted the following concerns:

- **Lack of contract monitoring.** The University failed to ensure that the private contractor for the football camps complied with contract provisions. For example, the University had no evidence that the contractor obtained workers' compensation insurance as required by the contract. The University also did not review the financial operations of the football camps in 2002 and 2003 to ensure compliance with contract and NCAA requirements.
- **Lack of contracts.** We found the University did not establish contracts with coaches conducting the volleyball and skiing camps in 2002 through 2004 and with the coach conducting the strength training camps in 2004. The University also did not have contracts with the vendor that sold apparel or with the assistant coaches who sold concessions at the 2005 football camps.
- **Incomplete and unsigned contracts.** The University did not sign the extension to the football camp contract covering the 2004 camps, the 2004 tennis camp contract, and the 2002 women's soccer camp contract.

As a result, we recommended the University improve oversight and management of Boulder Campus Athletic Department service providers by (a) establishing contracts and vendor agreements when required by State Fiscal Rules and University policy and ensuring that contracts are fully executed before payments are made; (b) adding provisions to contracts for the University's protection, such as stating the University's right to inspect the contractor's records and requiring the maintenance of documentation to verify compliance with contract provisions; and (c) ensuring that providers comply with all contractual requirements, such as obtaining appropriate insurance coverage, and applying penalties against providers that fail to comply with their contracts (2005 Audit Recommendation No. 9).

**2007 Auditor Assessment:** *Implemented.*

During the follow-up audit, we found that the University no longer contracts with outside providers to run the sports camps. We reviewed a sample of three service provider and vendor contracts executed by the Athletic Department after October 2006, when the Department indicated the recommendation was implemented. The contracts we reviewed contained provisions to protect the University's interests and were signed prior to goods and services being provided. We also found the University provides contract monitoring training to staff and that 24 Department staff have successfully completed this training.

## Outside Income Disclosures

According to NCAA rules, Department staff members, excluding administrative assistants, are required “to provide a written detailed account annually to the president or chancellor for all athletically related income and benefits from sources outside the institution.” Contracts and letters of appointment between the institution and staff must state this requirement. The 2005 Audit found that University staff completed a standardized form at the beginning of the year to estimate income they would receive and again at the end of the year to provide actual income figures.

During the 2005 Audit we reviewed the outside income disclosures filed by football operations staff in Fiscal Years 2002 through 2004 and noted two issues. First, we found that staff did not accurately report their income from football camps on the disclosure forms and that this violation had not been reported to the NCAA and/or Big 12 Conference. Second, we found the letters of appointment between the University and assistant football coaches did not always include the stipulation that all athletically related income from outside sources be reported to the University on an annual basis as required by the NCAA. To address these issues, we made two recommendations.

First, we recommended the University report the violation related to the reporting of outside income to the NCAA and/or Big 12 Conference and contact the NCAA and/or the Big 12 Conference to determine whether the omission of the reporting requirement from letters of appointment was a violation (2005 Audit Recommendation No. 10).

Second, we recommended the University provide training and technical assistance to Athletic Department staff on the NCAA requirements and on the proper use of outside income disclosure forms, and update policies to reference the NCAA requirement that letters of appointment include the stipulation about reporting athletically-related outside income (2005 Audit Recommendation No. 11).

**2007 Auditor Assessment: *Both Recommendations Implemented.***

During our 2007 follow-up, we obtained copies of the violation report sent to the Big 12 by the University, reviewed materials provided to staff during outside income disclosure training, obtained copies of all letters of appointment issued to football staff since 2006, and interviewed staff regarding University policies on outside income disclosure. We found the University reported the violations from 2002 through 2004, including violations regarding the omission of required language in letters of appointment. The University also trained staff on outside income disclosure requirements and included the stipulation regarding outside income in all

letters of appointment. In addition, the Department implemented a policy in 2005 that requires all staff to report anticipated outside income at the beginning of each fiscal year and again if new outside income arises during the year. All outside income must be approved by the Chancellor. The policy does not reference the requirement that all letters of appointment include the stipulation to report all outside income; however, boilerplate language in letters of appointment was modified to include the stipulation. Staff report that it is now the Department's practice to include the required language in the letter of appointment.

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## **Criminal History Checks**

As discussed earlier, sports camps hosted by the University are targeted to youth ranging from ages 6 to 18. Therefore, the camps generally involve youth who are younger than the University's student body. The Department has a responsibility to protect these youth from possible harm. During the 2005 Audit we reviewed the Department's processes for conducting criminal history checks and its use of the results in decisions to hire staff or accept volunteers for the 2005 football camps. We found the Department had conducted checks on only about one-quarter of the individuals involved in the camps. We conducted our own checks and found several individuals working at the camps who had questionable criminal histories including misdemeanor assault, misdemeanor child abuse, and felony DUI. The Department was not aware of these histories prior to our audit.

The University had established a policy in July 2004 requiring the individual campuses to designate which of their staff positions are security-sensitive and conduct criminal history checks on final candidates for such positions. The University policy does not require anyone involved with the camps to undergo criminal history checks. Further, although the policy provides general guidance for considering criminal history records, including the nature and seriousness of the offenses, the number of offenses, and whether the offenses are related to the security-sensitive position, the policy does not give specific guidance as to the types of offenses that would prevent an individual from being involved in the camps.

To better protect youth attending sports camps and the University, we recommended the University develop and implement a policy for conducting criminal history checks on individuals who work at sports camps that includes (a) criteria for determining which individuals should undergo criminal history checks; (b) timelines to ensure that checks are completed prior to individuals' working at the camps; and (c) criteria for which criminal histories would disqualify individuals from working at sports camps (2005 Audit Recommendation No. 12).

**2007 Auditor Assessment: *Not Implemented.***

During our 2007 follow-up we found the University did not implement a policy for conducting criminal history checks on individuals working at sports camps until January 2007. Prior to that, the Boulder Campus had a campus-specific background check policy that was originally implemented in November 2005 and revised in January 2006. The Boulder campus policy states, in part: “CU-Boulder *encourages* background investigations for employees of outside contractors and volunteers who perform functions in security-sensitive areas (e.g., ... coaches for summer camps involving minors).” [Emphasis added]. Both the University and Boulder Campus policies related to conducting criminal history checks require checks for security-sensitive positions and provide general guidance for considering criminal history records in hiring decisions. However, neither policy provides clear guidance for individuals involved in sports camps. Therefore, none of the elements of our recommendation were fully implemented for the 2006 football camps. We identified continuing problems related to the University’s methods of ensuring the safety of youth who attend the camps. These issues are described below.

**Individuals Not Checked.** We found the University had criminal history checks for 48 of the 62 individuals who were involved in the 2006 camps. Specifically, the University had conducted criminal history checks on 36 volunteer guest coaches and already had on file criminal history checks for 12 University employees who worked at the camps and had undergone checks in accordance with University policy as part of the employment process. None of these 48 checks had identified criminal violations that raised concerns. However, the University did not have criminal history checks for 14 University employees who worked at the 2006 camps but were hired before the University and Boulder Campus implemented their background check policies.

Of the 14 University employees that did not have background checks, 7 were included in the sample of individuals we conducted criminal history checks on during our 2005 Audit. We found that 2 of the 7 employees had pled or been found guilty of offenses that would be of concern in working with youth, including false imprisonment and DUI. We informed the University of these violations during the 2005 Audit.

In July 2007, at our request, the University completed criminal history checks for the other seven University employees who worked at the 2006 camps (who were not included in our 2005 Audit sample) but had not undergone checks. None of these seven checks identified violations that raised concerns.

**Late Criminal History Checks.** The University did not have any established deadlines for completing criminal history checks of those involved in the 2006 football camps. We found that the criminal history checks for 14 of the 36 volunteer guest coaches were completed after the camps took place. University staff indicated that a list of guest coaches was not finalized until just prior to the camps. As a result, there was not enough time to obtain some checks before the camps began. We were told that the background checks take anywhere from 2 to 14 days to be completed. Obtaining a criminal history check after the camps occur provides no protection to campers or the University.

**No Criteria for Using Check Results.** The University has not developed specific criteria or guidelines for the types of offenses that would disqualify individuals from being involved in the camps. The University and Boulder campus policies describe general criteria, such as the nature and seriousness of convictions, for use when hiring University employees, but do not specify any offenses that would prevent someone from being involved in the camps.

**Sports Camp Policy.** As discussed above, the existing University and Boulder campus policies for conducting background checks on security-sensitive positions do not address the concerns we found in 2005 regarding individuals involved in the sports camps. In January 2007 the Department did establish a sports camp policy that addressed the need for conducting criminal history checks. This policy was revised in June 2007, while the 2007 football camps were in progress. However, the sports camp policy also does not provide adequate protection for campers and the University for a number of reasons.

First, while the policy states that: “All coaches and support staff hired specifically to work a sports camp that have potential for contact with camp participants must have a police background check ...” the University reported that this requirement does not apply to volunteers. As a result, the policy may not ensure that a significant proportion of those involved in the camps undergo checks to determine if they have criminal histories that might be of concern. For example, 58 percent of individuals involved with the 2006 camps (36 of 62 people) were volunteers. The University did conduct checks on all guest coaches in 2006, but under the 2007 policy, they would not be checked.

Second, the policy revision in June 2007 eliminated the requirement for background checks to be completed before the camps occur. The policy issued in January 2007 stated that background checks “*must be* completed prior to the employment of the coaches and support staff and/or their contact with any camp participants.” However, when the policy was revised in June



2007, this section was changed to state "... background check[s] *should* be completed prior to the employment of the coaches and support staff and/or their contact with any camp participants." The policy goes on to state: "*In the event a background check cannot be completed prior to the beginning of a camp, the camp employee should minimize unsupervised contact with camp participants.*" [Emphasis added]. The policy does not address who is responsible for enforcing this provision.

Third, the policy does not include any criteria or guidance about what types of criminal histories should prevent someone from being involved in a sports camp.

Finally, the University and Department policies do not apply to volunteers at all and the Boulder Campus policy encourages, but does not require, checks for volunteers. Therefore, there is no assurance that volunteers involved in the camps will either undergo background checks or, alternatively, be closely supervised when working with the campers. The University needs to either include volunteers in a policy or implement alternative measures to protect youth who participate in the camps as well as the University.

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## **Recommendation No. 5:**

The University of Colorado should develop and implement a policy to protect youth who attend sports camps. The policy should:

- a. Clearly define which individuals involved with the camps (e.g., University employees who were not checked at the time they were employed by the University, guest coaches, other volunteers) must undergo criminal history checks.
- b. Establish measures to protect youth in cases where an individual involved with the camps has not undergone a check.
- c. Create deadlines for conducting criminal history checks that ensure they are completed prior to the date the camps begin.
- d. Include guidelines on which criminal histories would disqualify individuals from having contact with youth at the sports camps.

## **University of Colorado Response:**

Partially agree. Implementation date: first phase November 2007.

Unfortunately, the University failed to understand that the 2005 audit report was not only addressing the risks created by employees but also risks created by volunteers. To ensure these risks are addressed for the whole University and due to the complexity of our business, the University needs to first analyze the aspects of university business where employees, youths and volunteers might intersect. The University will convene a committee of legal, financial, human resources and operational personnel to conduct this analysis. We are committed to completing this legal analysis by November 2007. Then, the University will determine the appropriate policies and procedures to be developed and implemented as well as timeframe for such implementation. Until we complete the analysis, we do not know how or if the factors specified in parts "a" through "d" of the recommendation will be addressed. Our intention is to address the risks that give rise to the factors in the recommendation in a cost-efficient and effective manner.

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# University Administration

## Chapter 3

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The University of Colorado (University) consists of a System Office and three campuses located in Boulder, Colorado Springs, and Denver. The University is governed by the Board of Regents, which appoints officers of the University including the President and the campus Chancellors. Each college and school is headed by a dean, who is the principal administrative officer for the college or school. The Regents and the University's System Office provide guidance to the campuses through policies and procedures in areas such as financial activities, personnel, and ethical practices. Day-to-day operations at the campuses are decentralized, with individual departments managing their own activities.

As part of our 2005 Audit, we reviewed the policies and procedures in a number of systemwide areas including conflicts of interest and cell phone use. In addition, as part of the Fiscal Year 2004 financial audit of the University, we contracted with KPMG, LLP to conduct procedures related to the University's procurement system. We noted concerns and made recommendations in these areas. We evaluated the implementation status of recommendations in these areas as part of our follow-up audit.

### Conflicts of Interest

State statutes, policies issued by the Board of Regents, and University administrative policies all include requirements related to the avoidance and disclosure of conflicts of interest. University policies define conflicts of interest as situations in which financial or other personal considerations may compromise, or have the appearance of compromising, an employee's professional judgment in administration, management, instruction, research and other professional activities. The mere appearance of a conflict may be as serious and potentially damaging as an actual distortion of instructional, research or administrative goals, processes, or outcomes.

During the 2005 Audit we evaluated University officer and Regent practices related to conflicts of interest for compliance with Regent and University policies and state statutes and noted concerns, as described below.

**Disclosures by University Officers.** For 2002 through 2004 we found some University officers had not filed with their supervisors all the annual disclosures of

outside financial interests and activities required by Regent policy. For 2005 all of the sample of disclosures we requested had been filed.

**Disclosures by Regents.** For 2002 through 2005 we found some of the reports regarding sources of income, gifts, and financial interests that the Regents were required to file with the Secretary of State were not on file, and others had been submitted late. Specifically, Section 24-6-202, C.R.S., requires elected and appointed officials, including the members of the Board of Regents, to file disclosures with the Secretary of State within 30 days after election, reelection, appointment, or retention in office and on or before January 10 of each calendar year. These written disclosures include certain information about the officials' sources of income, businesses, and financial interests. Section 24-6-203, C.R.S., required public office holders to submit a report by January 15 to the Secretary of State disclosing gifts and honoraria received during the prior year. In July 2006 this was changed to require quarterly filing of any gifts or honoraria received. According to statutes, these various disclosures are intended to "continue the public confidence in the integrity of government officials and to promote trust of the people in the objectivity of their public servants."

To address the concerns regarding the incomplete filings of these financial disclosures, we recommended the University (a) continue to enforce Regent policy requiring all University officers to file outside financial disclosures with the University on an annual basis and (b) expand the annual briefing of the Board of Regents and follow up with Regents to encourage compliance with the filing requirement (2005 Audit Recommendation No. 13).

**2007 Auditor Assessment:** *Implemented.*

During our 2007 follow-up we reviewed the filings for a sample of seven University officers for Fiscal Year 2006 and found that all seven had filed the required disclosures.

We found that the University notified the Regents about the statutory filing requirements at several board meetings and through other communications between December 2005 and early 2007 and that there was improvement in the filing of the financial disclosures by the Regents. Specifically, 83 percent of the required financial disclosures for Calendar Years 2006 and 2007 were on file and only one of the disclosures was late. In addition, the Regents had completed a combined total of 19 gifts and honoraria disclosures for filing with the Secretary of State for Calendar Years 2006 and 2007. We found that one Regent received various athletic event tickets, including tickets to the 2005 football bowl game, between December 2005 and June 2006 but had not filed gifts and honoraria disclosures to report these as of the end of our audit work. Because the statute only requires filing when gifts or honoraria

have been received in the quarter, we could not determine if additional reports should have been filed. Finally, we found one Regent filed the Calendar Year 2006 disclosures late.

The University has indicated it will continue to brief the Regents about the filing requirements on a regular basis, such as during board meetings.

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## Cell Phones

University departments issue cell phones to some staff for use in their jobs. During the 2005 Audit we reviewed cell phone plans, policies, and a sample of expenditures for seven departments at the Boulder Campus. We found a general lack of oversight of cell phones. Specifically, there was no University-wide cell phone policy and the department policies for cell phones were incomplete. We also found the departments did not regularly review their cell phone needs. Finally, we found three of the departments had unused phones. As a result, we recommended the University finalize and implement a University-wide cell phone policy to address personal use of cell phones, criteria for determining which staff should be issued phones, guidance on selection and periodic review of cell phone plans, and processes for monitoring use (2005 Audit Recommendation No. 14).

### **2007 Auditor Assessment: *In Progress.***

During our 2007 follow-up we obtained and reviewed the University's *Personal Technology and Telecommunications Policy*, which was implemented in June 2007. We reviewed the policy and found that it includes provisions regarding personal use of cell phones, criteria for determining which staff should be issued cell phones, selection of appropriate plans, and usage monitoring. Though the policy itself does not require routine audits of cell phone use, University staff indicated that departmental cell phone use will be subject to review during periodic internal audits on individual departments. Because the policy was put into place at the end of our audit, we did not conduct testing of cell phone use for compliance with the new policy during this follow-up audit.

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### **Recommendation No. 6:**

The University of Colorado should ensure the new cell phone policy is fully implemented by completing periodic internal audits to verify compliance with the policy.

## **University of Colorado Response:**

Agree. Implementation date: July 2007.

The University has amended its Office of University Controller compliance annual work plan and Internal Audit's departmental audit workplans to include compliance monitoring with the University policy.

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## **Procurement**

As discussed in Chapter 1, all departments within the University are required to follow State Fiscal Rules and University policies and procedures related to expenses paid with state funds. During the 2005 Audit we contracted with KPMG, LLP to perform the University's annual financial statement audit for Fiscal Year 2004 and to assist us with testing expenditure controls. The test work involved assessing whether expenses were in compliance with University requirements including having supervisory approvals, having adequate supporting documentation, and properly using standardized forms. KPMG reviewed written policies and procedures and examined a sample of about 3,100 expenses incurred in Fiscal Year 2004. The primary problem identified by KPMG was that the documentation for the transactions reviewed was not always sufficient to ensure that all expenses were reasonable and for University business. Adequate controls over expenses are essential to safeguard the University's financial assets; minimize operating losses; maintain public trust among Colorado citizens, donors, and students; and help ensure compliance with state and NCAA requirements.

To address the procurement issues KPMG identified, we recommended the University improve controls by (a) expanding documentation policies and guidance to specify the appropriate written description for expenses to explain how they are reasonable and necessary for University business and to obtain itemized receipts for all meals; (b) enforcing compliance with the revised policies, such as denying payment for expenses until all required supporting documentation and descriptive information is provided; (c) reviewing the procurement practices being followed by departments to identify and take appropriate action for noncompliance; and (d) providing training and technical assistance to help ensure University-wide understanding and application of procurement policies (2005 Audit Recommendation No. 15).

**2007 Auditor Assessment: *In Progress.***

At the time of this follow-up audit, the University was in the process of implementing this recommendation. The University reports it is comprehensively restructuring its procurement processes. The restructuring focuses on enforcing compliance with University policies, including denying payment, as appropriate, when required documentation is not provided; reviewing departmental compliance with University policies and procedures and taking appropriate actions for noncompliance; and expanding training and outreach regarding the new procurement processes. According to the University, it has established a Financial Compliance Unit to develop financial policies, procedures, training, communication, and monitoring and has selected a new automated expense authorization and reimbursement system that is to be implemented by March 2008. The University plans to complete the restructuring by March 2008 and require expenses made after that date to be subject to new policies and procedures. The University also reports that it plans to conduct an internal audit once the policies and procedures are in place.

At the time of our follow-up, the University was still operating under the same procurement policies and procedures as during the 2005 Audit. Therefore, with the exception of expenses made during the December 2005 bowl game, as discussed in Chapter 1, we did not conduct testing of expenses incurred since the 2005 Audit.

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**Recommendation No. 7:**

The University of Colorado should continue its efforts to finalize and implement the restructuring of its procurement processes.

**University of Colorado Response:**

Agree. Implementation date: March 2008.

The University has initiated a comprehensive restructuring of its procurement processes focused on the following objectives:

- a. Continuing to enforce compliance with University policies, including, where appropriate, denying payment until required documentation is provided.

- b. Continuing to review departmental compliance with University policies and procedures and taking appropriate actions for non-compliance.
- c. Expanding its training and outreach programs.

This comprehensive restructuring is detailed at the University's website (<http://www.cusys.edu/controller/acct-sys-overhaul.html>) with the last key phase being implemented by March 2008. We have completed several key steps in this initiative as follows:

- The establishment of a Financial Compliance Unit, which focuses on financial policies, procedures, training, communication and monitoring.
  - The selection of a new expense authorization and reimbursement system. The project plan for the implementation is currently being finalized.
  - The revision of several key financial and procurement policies, procedures and forms (a listing can be found at the above website).
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## Appendix A

<b>Auditor Assessment of Implementation of 2005 Audit Recommendations</b>	
<p><b>2005 Recommendation No. 1:</b> The University of Colorado should strengthen controls over cash advances issued to the Boulder Campus Athletic Department by exploring options for paying staff travel expenses and student per diems. The goal of such options should be to significantly reduce or eliminate the use of cash advances and allow for proper controls and efficiencies. Options could include expanding the use of the University's event card, purchase orders, and/or direct reimbursement of travel expenses.</p>	
<p><b>University of Colorado Response:</b> Agree    <b>Implementation Date:</b> January 2006</p>	
Reported Status January 2007	2007 State Auditor Evaluation
<p><b>University Update:</b> Implemented.</p>	<p><b>Implemented.</b></p>
<p><b>2005 Recommendation No. 2:</b> The University of Colorado should ensure that the Boulder Campus Athletic Department adheres to State Fiscal Rules and University policies related to expense transactions by: (a) maintaining documentation to support all expense transactions in accordance with requirements; (b) providing additional training and technical assistance to both Athletic Department staff and other University staff who incur, review, and/or approve Athletic Department expenses regarding documentation requirements. Particular emphasis should be given to evaluating the reasonableness and business purpose of sensitive expenses; and (c) following up on concerns noted in this report as well as Internal Audit Department recommendations to help ensure that expenses are appropriate and allowable and that policies and procedures, such as for adequate documentation, are followed. The University should consider performing periodic internal audits that focus on compliance with policies and procedures over football operations expense transactions.</p>	
<p><b>University of Colorado Response:</b> Agree    <b>Implementation Date:</b> August 2006</p>	
Reported Status January 2007	2007 State Auditor Evaluation
<p><b>University Update:</b> Partially Implemented.</p>	<p><b>In Progress.</b> See Recommendation No. 1 in the 2007 Report.</p>

**2005 Recommendation No. 3:** The University of Colorado should use the planning and approval processes for football bowl games to ensure adherence to State Fiscal Rules and University policies by: (a) enforcing requirements related to the appropriate University official's providing prior written approval for individuals included in the official travel party and for awards given for bowl games; and (b) improving procedures related to official functions for bowl games by requiring staff to provide detailed information on each official function held as part of a bowl game.

**University of Colorado Response:** Agree **Implementation Date:** January 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Implemented.</b>

**2005 Recommendation No. 4:** The University of Colorado should ensure that the Boulder Campus Athletic Department adheres to State Fiscal Rules and University policies for expenses incurred for football bowl games by: (a) maintaining documentation to support all expense transactions in accordance with requirements; (b) obtaining payment from certain guests traveling on charter planes to bowl games in compliance with University policies; (c) improving the management and oversight of bowl game awards to clearly define who is eligible to receive awards, the documentation required for all awards given out, consequences for issuing awards in violation of NCAA requirements, and mechanisms for reporting such violations; (d) modifying practices related to payment of travel costs and awards for employees' family members. This should include discontinuing payments for the cost of family members to attend bowl games and eliminating the issuance of awards to employees' family members or limiting the value of such awards to a minimal amount; and (e) ensuring that staff attach official function forms to payment vouchers and properly record official functions in the general ledger.

In addition the University should provide training to ensure that all bowl game expenses are appropriate as discussed in Recommendation No. 2.

**University of Colorado Response:** Agree **Implementation Date:** January 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Partially Implemented.</b> See Recommendation No. 2 in the 2007 Report.

**2005 Recommendation No. 5:** The University of Colorado should establish a systemwide policy related to courtesy cars, which should include: (a) prohibiting the use of courtesy cars by non-university personnel; (b) requiring all agreements related to courtesy cars to be fully executed before courtesy cars are provided to the University and before items of value, such as athletic tickets, are given to auto dealerships; and (c) discontinuing the practice of taking monthly deductions from staff who have courtesy cars for donation to the Foundation.

**University of Colorado Response:** Agree **Implementation Date:** March 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Partially Implemented.	<b>Partially Implemented.</b> See Recommendation No. 3 in the 2007 Report.

**2005 Recommendation No. 6:** The University of Colorado should improve its oversight of sports camps operated in-house by: (a) ensuring that the Boulder Campus Athletic Department adheres to state and University cash control policies when handling cash for the football camps and providing training and guidance to Department staff on cash control policies and procedures; (b) establishing a policy to require Boulder Campus Athletic Department staff to collect all medical release forms from youth before allowing them to participate in sports camps and require staff to maintain the forms. The policy should include mechanisms, such as disciplinary actions, to enforce the requirements; (c) conducting periodic reviews of the financial operations of sports camps to ensure compliance with requirements; and (d) performing an analysis of the revenue and expenses associated with sports camps operations. The University should use the results of the evaluation to ensure that fees are appropriately set and to control costs.

**University of Colorado Response:** Agree **Implementation Date:** July 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Partially Implemented.</b> See Recommendation No. 4 in the 2007 Report.

**2005 Recommendation No. 7:** The University of Colorado should report the violations we identified related to supplemental income for the 2002 through 2004 football camps. The University should also consider whether any additional actions need to be taken related to NCAA and/or Big 12 violations, such as disciplinary actions on University personnel who were responsible for the violations.

**University of Colorado Response:** Agree **Implementation Date:** December 2005

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Implemented.</b>

**2005 Recommendation No. 8:** The University of Colorado should work toward bringing the administration of the men's basketball camps in-house in the future.

**University of Colorado Response:** Agree    **Implementation Date:** July 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
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**University Update:** Implemented.                      **Implemented.**

**2005 Recommendation No. 9:** The University of Colorado should improve oversight and management of Boulder Campus Athletic Department service providers by: (a) establishing contracts and vendor agreements when required by State Fiscal Rules and University policy and ensuring that contracts are fully executed before payments are made; (b) adding provisions to contracts to provide additional protection of the University's interest, such as stating the University's right to inspect the contractor's books and records; requiring sufficient documentation to verify compliance with contract provisions, including applicable University policies and NCAA and Big 12 rules, to be maintained; and specifying that medical release forms are required and should be maintained for all camp participants; and (c) ensuring that providers comply with all contractual requirements, such as obtaining appropriate insurance coverage, and applying penalties against providers that fail to comply with their contracts.

**University of Colorado Response:** Agree    **Implementation Date:** July 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
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**University Update:** Implemented.                      **Implemented.**

**2005 Recommendation No. 10:** The University of Colorado should report the violation related to the failure of some football staff to report outside income from the football camps to the NCAA and/or Big 12 Conference. In addition, the University should contact the NCAA and/or the Big 12 Conference to determine whether the omission of the stipulation in letters of appointment that outside income be reported annually to the University is a violation. If so, the University should formally report the violation.

**University of Colorado Response:** Agree    **Implementation Date:** November 2005

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
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**University Update:** Implemented.                      **Implemented.**

**2005 Recommendation No. 11:** The University of Colorado should improve the reporting of athletically related income received from outside sources by: (a) providing training and technical assistance to Boulder Campus Department staff that highlights the NCAA requirements for reporting athletically related income received from outside sources and proper use of outside income disclosure forms; and (b) updating policies and guidelines to reference the NCAA requirement that all letters of appointment issued to Athletic Department staff include the stipulation about reporting athletically related outside income.

**University of Colorado Response:** Agree    **Implementation Date:** December 2005

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Implemented.</b>

**2005 Recommendation No. 12:** The University of Colorado should develop and implement a policy for conducting criminal history checks on individuals who work at sports camps. The policy should include: (a) criteria for determining which individuals should be required to undergo criminal history checks; (b) timelines for conducting checks that ensure they are completed prior to the start date for individuals who work the sports camps; and (c) criteria for which criminal histories would disqualify individuals from working at sports camps.

**University of Colorado Response:** Agree    **Implementation Date:** July 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Not Implemented.</b> See Recommendation No. 5 in the 2007 Report.

**2005 Recommendation No. 13:** The University of Colorado should improve compliance with financial disclosure requirements for University officers and members of the Board of Regents by: (a) continuing to enforce the amended Regent policy requiring all University officers to file outside financial disclosures with the University on an annual basis; and (b) expanding the annual briefing of the Board of Regents regarding the submission of financial disclosures to the Secretary of State and following up with Regents to encourage compliance with the filing requirement.

**University of Colorado Response:** Agree    **Implementation Date:** January 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Implemented.	<b>Implemented.</b>

**2005 Recommendation No. 14:** The University of Colorado should finalize and implement a University-wide cell phone policy and ensure it addresses personal use of cell phones, criteria for determining which staff should be issued phones, guidance on selection and periodic review of cell phone plans, and processes for monitoring use.

**University of Colorado Response:** Agree    **Implementation Date:** June 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> In Progress.	<b>In Progress.</b> See Recommendation No. 6 in the 2007 Report.

**2005 Recommendation No. 15:** The University of Colorado should improve procurement controls by: (a) expanding documentation policies and guidance for expenses to specify the appropriate written description that explain how they are necessary for University business and are reasonable, and require itemized receipts for all meals; (b) enforcing compliance with the revised policies, such as denying payment for expenses until all required supporting documentation and descriptive information is provided; (c) reviewing the procurement practices being followed by departments to identify noncompliance with revised polices and taking appropriate action; and (d) providing training and technical assistance, as necessary, to help ensure University-wide understanding and application of procurement policies.

**University of Colorado Response:** Agree    **Implementation Date:** March 2006

<b>Reported Status January 2007</b>	<b>2007 State Auditor Evaluation</b>
<b>University Update:</b> Partially Implemented.	<b>In Progress.</b> See Recommendation No. 7 in the 2007 Report.

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