

NCAA Bylaw 12: Amateurism

Intercollegiate Athletics



May 2017

The University of Texas at Austin

Office of Internal Audits

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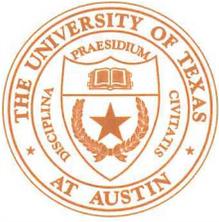
**The University of Texas at Austin
Office of Internal Audits**

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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor's Office, the Sunset Advisory Commission, the Governor's Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**NCAA Bylaw 12: Amateurism
Project Number: 16.022**



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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May 15, 2017

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Intercollegiate Athletics compliance with National Intercollegiate Athletics Association (NCAA) Bylaw 12: Amateurism. Our scope included the policies, procedures, and controls that were in place during Fall 2015 – Summer 2016.

Based on the completed questionnaire, limited testing, a review of The University of Texas at Austin (UT Austin) policies and procedures, correspondence, and NCAA Bylaw 12 guidelines, we conclude that UT Austin has proper student-athlete amateurism controls in place. Our audit report provides detailed observations for the area under review. One recommendation was offered for improvement in the existing control structure.

We appreciate the cooperation and assistance of Athletics throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael W. Vandervort", with a stylized star symbol at the end of the signature.

Michael W. Vandervort, CPA
Chief Audit Executive

cc: Institutional Audit Committee Members
Ms. Christine Plonsky, Women's Athletic Director and Executive Sr. Associate AD M-
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Mr. Michael Perrin, Athletics Director
Ms. Lori Hammond, Associate Athletics Director, Risk Management and Compliance
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Mr. William O'Hara, Chair, Institutional Audit Committee
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Mr. Carlos Martinez, Chief of Staff, Office of the President
Mr. Jeff Treichel, Associate Director, Office of Internal Audits



TABLE OF CONTENTS

Executive Summary	1
Background	2
Scope, Objectives, and Procedures	2
Audit Results.....	3
Conclusion	4
Appendix.....	5



EXECUTIVE SUMMARY

The Office of Internal Audits has completed the NCAA Bylaw 12: Amateurism Audit. This audit was requested by Intercollegiate Athletics as a consulting engagement and was completed as part of the Fiscal Year 2016 Audit Plan.

Conclusion

Based on the completed questionnaire, subjective testing, a review of The University of Texas at Austin (UT Austin) policies and procedures, correspondence, and National Collegiate Athletic Association (NCAA) Bylaw 12 guidelines and National Association for Athletics Compliance (NAAC) Reasonable Standards, UT Austin has proper student-athlete controls in place to monitor amateurism compliance. UT Austin complies with NCAA regulations and NAAC Reasonable Standards regarding student-athlete amateurism. One recommendation was made to improve controls related to student-athlete employment requests.

Summary of Recommendations

The issue has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.

Internal Audits identified one issue that was minor in significance. Management has provided a corrective action plan which is expected to be implemented on or before May 1, 2017.

Audit Scope and Objective

The scope of this audit included the policies, procedures, and controls that were in place during Fall 2015 – Summer 2016. The audit objective was to determine whether UT Austin Athletics maintains an adequate system to monitor compliance with NCAA Bylaw 12 and NAAC Reasonable Standards governing amateurism.

Background Summary

Intercollegiate Athletics Risk Management and Compliance Services works to ensure compliance with Bylaw 12. The department continuously monitors compliance regarding student-athlete employment, student-athlete promotional activities, general eligibility, seasons of competition, and student-athlete interaction with agents. Athletics requires a thorough review and approval process for any facet of Bylaw 12.



BACKGROUND

The University of Texas at Austin (UT Austin) is a Division I member of the National Collegiate Athletic Association (NCAA). In accordance with legislation enacted by NCAA Article 2.8.1: Responsibility of Institution, *“Each institution shall comply with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics program. It shall monitor its programs to assure compliance and to identify and report to the Association instances in which compliance has not been achieved.”* The operating bylaws consist of legislation, adopted by the membership, to promote the principles enunciated in the constitution and to achieve NCAA purposes. NCAA Bylaw 12, which comprises the amateurism legislation, was the basis of this audit.

Intercollegiate Athletics (Athletics) Risk Management and Compliance Services works to ensure compliance with Bylaw 12. The department continuously monitors compliance regarding student-athlete employment, student-athlete promotional activities, general eligibility, seasons of competition, and student-athlete interaction with agents. Athletics requires a thorough review and approval process for any facet of Bylaw 12.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included the policies, procedures, and controls that were in place during Fall 2015 – Summer 2016. The specific audit objective was to determine whether Athletics maintains an adequate system to monitor compliance with NCAA Bylaw 12 and National Association for Athletics Compliance (NAAC) Reasonable Standards governing amateurism.

Internal Audits determined that UT Austin Athletics maintains an adequate system to monitor compliance with NCAA Bylaw 12 and NAAC Reasonable Standards governing amateurism by:

- Reviewing the 2015-2016 NCAA Division I Manual and NAAC Reasonable Standards;
- Surveying via questionnaire to gain an understanding of Athletics’ policies and procedures for amateurism;
- Identifying all responsible parties and efforts for monitoring compliance with NCAA legislation pertaining to Bylaw 12;
- Confirming that written policies and procedures pertaining to student-athlete employment, promotional activities, and interactions with agents complies with NCAA Bylaw 12;
- Verifying that a sample of student-athletes engaged in intercollegiate competition were within the NCAA prescribed number of seasons of eligibility;
- Testing a sample of employed student-athletes to confirm that all the required employment information was obtained and documented;



- Testing a sample of student-athlete appearance requests to verify the completion of the promotional activity process including the documented necessary approval;
- Reviewing material within the Electronic Access to Student Information System;
- Testing a sample of student-athletes for compliance with NCAA Bylaw 12 regarding general eligibility requirements; and
- Clarifying follow-up issues through emails, meetings, and other correspondence.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

AUDIT RESULTS

Based on audit procedures performed, Internal Audits concludes that Athletics complies with NCAA Bylaw 12 rules and regulations. One recommendation was made to improve controls related to student-athlete employment requests.

The issue has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.

Incomplete Student-Athlete Employment Documentation

Audit Issue Ranking: Medium

Two (11%) of 18 approved student-athlete employment requests tested did not contain all of the necessary background information and signatures prior to approval. These employed student-athletes did not obtain employer signatures as requested by Athletics. If student-athlete employment requests are not documented with all the necessary signatures, then employers may not be aware of the NCAA rules regarding student-athlete employment which could lead to noncompliance with Bylaw 12.

NCAA Bylaw 12.4.1 states, "Compensation may be paid to a student-athlete: (a) Only for work actually performed; and (b) At a rate commensurate with the going rate in that locality for similar services."

In addition, *NCAA Bylaw 12.4.1.1* states, "Such compensation may not include any remuneration for value or utility that the student-athlete may have for the employer because of the publicity, reputation, fame or personal following that he or she has obtained because of athletics ability."

NAAC Reasonable Standards for student-athlete employment "require employers to sign a statement that they have read and understood the NCAA rules regarding student-athlete employment and that they will provide employment records (e.g. pay stubs), upon request."



Recommendation: Athletics management should ensure that all approved student-athlete employment requests are complete with a signature by the employer prior to approval stating they have read and understood the NCAA rules regarding student-athlete employment.

Management's Response and Corrective Action Plan: The primary purpose of the employer signature on the student-athlete employment request form is to acknowledge receipt and understanding of NCAA rules related to the student-athlete's employment. In some cases due to the nature of the employment, it is difficult for student-athletes to obtain the employer's signature on a hard copy form and not timely for the ARMCS staff to delay review and approval until the signature is received. For one of the two involved employment requests where signatures were not on the final form, the employer received the conditionally approved form and NCAA employment rules and reminders documents via email. For the second request, the form was completed by the student-athlete approximately two months after the employment began and, despite multiple communications with the student-athlete, the student-athlete did not obtain the employer's signature on the hard copy prior to the conclusion of the student-athlete's employment. The ARMCS staff has utilized the electronic signature program DocuSign recently in many facets of its operations to obtain signatures and authorizations in a timely manner. Going forward, the staff will utilize DocuSign to obtain electronic signatures on employment request forms when student-athletes are otherwise unable to obtain employer signatures on the hard copy forms.

Responsible Person: Coordinator, Athletics Risk Management and Compliance Services

Planned Implementation Date: 5/1/2017

Post Audit Review: Internal Audits will conduct follow-up procedures during the third quarter of FY17.

CONCLUSION

Based on the completed questionnaire, subjective testing, a review of UT Austin policies and procedures, correspondence, NCAA Bylaw 12 guidelines, and NAAC Reasonable Standards, UT Austin has proper student-athlete controls in place to monitor amateurism compliance. UT Austin complies with NCAA regulations and NAAC Reasonable Standards regarding student-athlete amateurism. One recommendation was made to improve controls related to student-athlete employment requests.

In accordance with directives from The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.



APPENDIX

Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.
- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.