

2004 CU NCAA CERTIFICATION...FISCAL INTEGRITY

There are up to twelve self-study items under each operating principle. The first four self-study items are the same under each operating principle and relate to the corrective actions, conditions for certification, or strategies for improvement from the first cycle and interim reports and the actions taken to date on those issues. The first four self-study issues are summarized below.

SELF-STUDY ITEMS #1 through #4

1. List all "corrective actions," "conditions for certification" or "strategies for improvement" imposed by the NCAA Division I Committee on Athletics Certification in its first-cycle certification decision (if any) as they relate to the Operating Principles. In each case, provide: (a) the original "corrective action," "condition," or "strategy" imposed; (b) the action(s) taken by the institution; (c) the date(s) of the action(s); and (d) an explanation for any partial or noncompletion of such required actions. Please note, the institution is not required to respond to recommendations for required actions developed by the peer-review team unless those same recommendations were adopted by the Committee on Athletics Certification.

Not Applicable.

2. List all actions the institution has completed or progress it has made regarding all plans for improvement/recommendations developed by institution during its first-cycle certification process that relate to the Operating Principles. Specifically include: (a) the original plan; (b) the action(s) taken by the institution; (c) the date(s) of the action(s); (d) actions not taken or not completed; and (e) explanation for partial completion. Please note, the institution will not be required to fulfill an element of a first-cycle plan if the element does not affect conformity with an operating principle.

University of Colorado Fiscal Integrity Action Plan for Improvement								
1997 First-Cycle Action Plan						2001 Interim		
Study Item	Op Principle	Intended End Result	Specific Strategies	Specific Individual/Office Assigned the Responsibility	Specific Timetable	Task Complete?	Action Taken	D
#1	2	Mitigate the conflicts generated by rapid growth of the department	Review staffing levels & assignments to determine if additional staff or reorganization should be considered	Athletic Director	1997-98 and review annually	Y	Staffing is reviewed annually. Since FY-97-98 several staff positions have been added, and the department was reorganized on two occasions.	

#2	1	Stabilize the level of external support to the Department	Continue current level of support from the President, Chancellor and students	President, Chancellor, & SACIA	Annually until increased revenues offset decreases	N	The support from these groups has declined since FY-97-98. The student fee has remained constant without adjustment for inflation.
#2	1	Athletic Department to rely on self-generated income	Review the reporting line for the University's licensing operation with consideration given to moving the activity under the control of the Athletic Department	President, Chancellor & student body	On-going; Fiscal Year 1995-96 budget approval	Y	The university has agreed to transfer its licensing program to the Department of Athletics as follows: April 2001...Transfer of the operation of the licensing program June 2001...Transfer of the financial responsibility of the program
#2	1	Develop a long term approach to the student fee issue	Establish a set of principles and guidelines along with a formal process to review the student fee, its intent and uses	Chancellor and Athletic Director	Jul-97	Y	The Student Athletic Fee was part of the Institutional Plan for Student Fees adopted during the Spring of 1998
#10	1, 2	Eliminate concern over "unrelated business income tax" issues and associated obligations of the University and Athletic Department	Review the applicable law and the University's responsibilities	Athletic Director and University Legal Council	Jul-97	Y	Because of IRS interpretations related to advertising and signage this does not seem to be the concern it was several years ago.
#10	1, 2	Clarify fiscal procedures and consider having the University take over the management of all affiliated sport camps	Undertake a thorough review of the camps and their affiliation to the University	Athletic Director, Associate AD for Internal Affairs and Coaches	1997-98: Complete review in July 1997; Implement recommendations by July 1998	Y	Review completed. Dept does not have the financial means of managing all camps.

3. Describe any additional plans for improvement/recommendation in the area of the Operating Principles developed by the institution since the first-cycle certification decision was rendered by the Committee on Athletics Certification.

In the spring of 2004, the President of the University of Colorado and the Chancellor of the Boulder campus announced major changes to the reporting structure of intercollegiate athletics in order to help integrate the department more fully into the academic mission of the campus. Primary responsibility for the management of the Athletics Department will remain with the Boulder campus Chancellor, who has overall authority in personnel, budgetary and organizational matters. Changes articulated below went into effect July 1, 2004, and are specific to fiscal issues:

- The Athletics Director will no longer report to the Chancellor, but will report directly to the Provost, the campus's chief academic officer, in order to enhance accountability and oversight.
- The Senior Associate Athletics Director for Facilities, Development and Business Affairs will report directly to the Provost; together, they will work closely with the campus's Chief Financial Officer to help ensure fiscal integrity.
- The Athletics Director will serve on the Chancellor's Executive Committee, the major policy advisory group, in order to enhance interaction with campus leadership.
- In line with campus-wide practices, the Vice Chancellor for Administration will review and approve all sponsorships and revenue contracts, in order to help facilitate consistent compliance with University and state regulations.
- The University will conduct targeted financial audits and performance reviews of the Athletics Department on an annual basis.

Additionally, Ron Stump, Vice Chancellor for Student Affairs, sits on the Athletics Department Executive Committee, and Judson Hurd, Assistant Vice Chancellor for Budget, Planning and Analysis, serves on the department's Budget Committee.

4. List all actions the institution has completed or progress it has made regarding required actions identified by the NCAA Committee on Athletics Certification during the institution's interim-report process (if applicable) as they relate to the Operating Principles. Specifically, include for each: (a) the required action; (b) the action(s) taken by the institution; (c) the date(s) of these action(s); (d) action(s) not taken or completed; and (e) explanation(s) for partial completion of such required actions.

Not Applicable.

Much of the material requested in the self-study items has been put together in a notebook for the Independent Investigative Commission. That notebook is appended to this report, and where applicable, responses below refer to section(s) of the notebook as "See IIC Notebook tab x, page(s) x(-x)".

Operating Principle 3.1

Financial Practices

The Association's principles include the responsibility of the institution's chief executive officer for approval of the athletics budget and audit of all athletics expenditures. In fulfilling this principle, the institution shall demonstrate that:

- a. All funds raised for and expended on athletics are subject to institutionally defined practices of documentation, review and oversight.
- b. All expenditures from any source for athletics are approved by the institution.
- c. Budget and audit procedures for athletics are consistent with those followed by the institution generally and with the provisions of NCAA Constitution 6.2:
 1. The institution's annual budget for athletics is approved by the institution's chief executive officer or designee from outside the athletics department.
 2. An annual financial audit is performed by a qualified auditor who is not a staff member of the institution and who is selected by the chief executive officer or designee from outside the athletics department.

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5. List all revenue sources for intercollegiate athletics that are under the clear accounting and financial control of the institution.

ATHLETICS REVENUE FOR FY03

Revenue under the control of Athletics

Ticket Sales & Game Guarantees	\$11,977,092
Bowl \$ Big XII Championship	1,225,546
Conference Distribution	7,421,491
Sponsorships/Licensing	3,910,571
Student Fees	1,455,644
Programs.Novelties/Concessions	373,745
President's support	620,000
General Fund Rental	122,442
Other	<u>709,126</u>
Total	<u>\$27,815,657</u>

Revenue generated on behalf of Athletics

Golden Buffalo Scholarship Fund	\$3,254,740
CCHC & Campus Financial Aid	1,017,000
Flatirons Club	589,271

Deferred compensation	464,063
Practice Field Renovation	100,000
Endowment interest	249,020
Gifts-in-Kind	151,180
Other	<u>576,187</u>
Total	<u>\$6,401,461</u>
Total Revenue	<u><u>\$34,217,118</u></u>

6. List all other sources (i.e., those not under the accounting and financial control of the institution) generating revenue on behalf of the institution's intercollegiate athletics program, including outside foundations.

Refer to Self-Study Item #5.

7. Describe the step-by-step process for budget development and approval, and highlight any areas that may differ from the institution's standard or normal budgeting procedures.

See IIC Notebook tab 1.

8. Prepare a description for those sources of revenue under the institution's direct control and prepare a description for those sources of revenue not under the institution's direct control.

Refer to Self-Study Item #5.

9. Describe the process used in selecting the independent auditor for the institution's external financial audit for intercollegiate athletics that verifies the institution is in compliance with Constitution 6.2.3, including any methods used to ensure the independent nature of the auditors.

All state agencies are under the audit authority of the Office of State Auditor who works with the University Controller to select the independent auditor.

10. Describe the institution's efforts to ensure the audit that verifies the institution is in compliance with Constitution 6.2.3 meets the standards of the NCAA Financial Audit Guidelines.

Per the University Controller - Annually the University engages an independent certified public accountant, contracted through the Office of the State Auditor, to conduct attestation procedures (commonly referred to as audit) that are consistent with the NCAA published financial audit guidelines. NCAA publishes financial audit guidelines that they have established to meet the requirements of the NCAA constitution 6.2.3. Current guidelines may be found at http://www.ncaa.org/databases/fin_audit_guide.pdf. Procedures are reviewed and updated each year to ensure all recommended guidelines from the NCAA are included in the annual attestation engagement. In accordance with generally accepted auditing standards, the attestation procedures are jointly agreed to by the independent accounting firm, the Office of the State Auditor and University management. The results of the annual attestation engagement are published in the annual audit report released by the Office of the State Auditor.

11. Describe relevant corrective actions planned or implemented from the three most recent external financial audits.

There were no corrective actions from the three most recent external financial audits.

12. Describe the ways in which your institution approves expenditures for intercollegiate athletics, including a description of different procedures based on various sources of funding (e.g., booster and support group funds, state funds vs. restricted/foundation funds).

The Athletic department is subject to the same procedures for expending funds as are all other departments. This includes funds from all sources including athletic revenue and gifts from the CU Foundation. See IIC Notebook tabs 8-12, and tab 20 pages 7, 20-21, and 75-77.

Information to be available for review by the peer-review team, if requested:

Copies of the institution's three most recent external (per Constitution 6.2.3.1) and internal (if any) financial audits for intercollegiate athletics.

Documentation (e.g., management letters, executive summaries) from the institution's three most recent external audits that verifies the institution is in compliance with Constitution 6.2.3 (annual independent financial audit requirement).

Copies of all athletics staff members' most recently completed and signed statements related to the reporting and approval of athletically related income and benefits from sources outside the institution, per NCAA Bylaw 11.2.2.

3.1 Financial Practices - Evaluation

Question	Currently Yes	Cu
Does the institution demonstrate that all funds raised for and expended on athletics are subject to institutionally defined practices of documentation, review and oversight?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the institution demonstrate that all expenditures from any source for athletics are approved by the institution?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the institution demonstrate that budget and audit procedures for athletics are consistent with those followed by the institution generally and with the provisions of NCAA Constitution 6.2?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the institution demonstrate that the institution's annual budget for athletics is approved by the institution's chief executive officer or designee from outside the athletics department?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the institution demonstrate that an annual financial audit is performed by a qualified auditor who is not a staff member of the institution and who is selected by the chief executive officer or designee from outside the athletics department?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

On the basis of the yes/no answers above and the plans for correcting deficiencies below, is the institution in substantial conformity with Operating Principle 3.1 (Financial Practices)?

Yes No

Operating Principle 3.2

Fiscal Management and Stability

The Association's principles require each institution to administer its intercollegiate athletics program in keeping with prudent management and fiscal practices. To demonstrate fulfillment of this requirement, the institution shall provide evidence that the management and fiscal practices of the institution assure the financial stability necessary for providing all student-athletes with relatively full and stable opportunities for athletics participation.

5. Explain the institution's philosophy with respect to the funding of the athletics program.

Athletics is a self-funded auxiliary enterprise unit responsible for generating its own revenue and operating within the revenue it generates. This philosophy is further reinforced by the Board of Regents designation of Athletics as an Auxiliary Services Enterprise under the Taxpayer Bill of Rights (TABOR) legislation. That legislation defines "enterprises" as a government-owned business authorized to issue its own revenue bonds and receiving less than 10% of annual revenue in grants from all Colorado state and local governments combined.

6. Using the institution's established budgetary format, prepare a list of both projected and actual athletics revenues (by source) and expenditures (by budget category) for the three most recently completed fiscal years. In doing so, make sure that all athletics administrative costs are included. Provide any revenues and expenditures on a sports-by-sports basis. To add a sport to the list, please click "Add Sport to List."

See IIC Notebook tabs 6 and 7.

7. Describe the institutional procedures that are in place to address any deficit in the intercollegiate athletics budget incurred during any fiscal year(s).

Monthly meetings occur with the Senior Vice Chancellor, Athletic Director and Athletic Senior Associate Athletic Director for Business Affairs, and the controller. The budget status is among the topics discussed at this meeting. As with all auxiliary operations, the Athletics operation is charged interest on any average, daily cash deficit that exists throughout the year. Finally, an annual Bond Fund Report is prepared and submitted to the Regents. Included in the report is the calculation to show that Athletic net income was at least 125% of that year's debt principal and interest payments as required by bond covenants.

8. Outline the sources, uses and amounts of funds received by the intercollegiate athletics program from nonathletics departments and/or noninstitutional sources.

SOURCES, USE, AND AMOUNTS OF ATHLETICS FUNDS FOR FY03 FROM NON DEPARTMENT AND/OR NON INSTITUTIONAL SOURCES

Sources	Use	Amount
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CCHE	Financial Aid	\$170,612
Bldr Campus	Financial Aid	846,388
President	Women's Athletics	620,000
Chancellor	Events Center Rental	122,442
Gifts	Football	1,204,448
Gifts	M Basketball	1,000
Gifts	W Basketball	43,033
Gifts	Other M Sports	43,257
Gifts	Other W Sports	25,257
Gifts	Non-Sport Specific	4,067,466
Big XII Conference	General Support	7,421,491
		<u>\$14,565,394</u>

9. Identify the sources, uses and amounts of athletics surplus and/or reserve funds.

See IIC Notebook tabs 6 and 7. The budget status report shows the results of operations for the year. In addition, it shows the beginning and ending fund balance that is the surplus. See attachment C for an analysis of the FY2003 Renewal & Replacement plant fund reserve.

10. Describe how the university will accommodate future financing needs of the intercollegiate athletics program or plans to respond to changing conditions based upon the institution's future financing projections.

As stated in response to question #5, Athletics is a self-funded auxiliary enterprise unit responsible for generating its own revenue and operating within the revenue it generates. As such, Athletics must accommodate its own future financing needs as does any other business. Actions to be considered would include, but not be limited to:

- Identify opportunities to increase revenue such as through ticket price increases, off-season use of Folsom Field.
- Continue to manage expenses.
- Increase contributions.
- Continue a strong program to sell all the club seats and suites.

11. Using the institution's Equity in Athletics Disclosure Act survey forms, athletics department budget reports and other appropriate documentation for the three most recent years for which the information is available, evaluate each of the following areas for every sport sponsored by the institution. On the basis of this review, state the institution's determination of its ability to provide relatively full stable opportunities for student-athletes in each sport in the specific areas of:

- a. Coaching;
- b. Scholarships;
- c. Recruiting;
- d. Operating expenses (e.g., travel, facilities, equipment); and
- e. Percentage of the sport budget that has to be obtained each via fundraising (i.e., by institutional entities, department, team and individual student-athletes).

To add a sport to the list, please click "Add Sport to List."

Currently, the institution is able to provide relatively full stable opportunities for student-athletes in each sport in the specific areas. See attachment D. The ability to continue to provide these opportunities in future years is dependent upon Athletics ability to generate revenue to fund increasing costs.

12. Using your institution's NCAA Sports Sponsorship Report for the three most recent academic years indicate whether the institution meets the Division I membership requirements for sports sponsorship and scholarships.

Yes. See attachment E.

3.2 Fiscal Management and Stability - Evaluation

Question	Currently Yes	Cur No
Does the institution provide evidence that the management and fiscal practices of the institution assure the financial stability necessary for providing all student-athletes with relatively full and stable opportunities for athletics participation?	<input checked="" type="checkbox"/>	

On the basis of the yes/no answers above and the plans for correcting deficiencies below, is the institution in substantial conformity with Operating Principle 3.2 (Fiscal Management and Stability)?

Yes No

Operating Principle 3.3

Established Fiscal Policies and Procedures

Membership in the Association places responsibility on each institution to monitor its programs to assure compliance with all applicable rules and regulations of the Association. Consistent with this responsibility, the institution shall demonstrate that it has in place fiscal policies and standard operating procedures to ensure that:

- a. Prospective student-athletes are not provided with impermissible recruiting inducements.
 - b. Enrolled student-athletes are not provided with benefits that are expressly prohibited by NCAA legislation.
 - c. All expenditures for athletics are handled consistently in accordance with NCAA, conference and institutional rules.
5. Describe the policies and standard operating procedures that help to ensure that all expenditures for athletics are handled in accordance with NCAA, conference and institutional rules including:
- a. Identification of person(s) responsible for these areas; and
 - b. Means of monitoring compliance with these rules.
- a. Travel – Lindsey Babcock, Jennifer Green, Rosalie Lynn; ACARD and Telephone expenses – Lindsey Babcock, Ann Theil; General purchasing – Lindsey Babcock, Tanya Patzer, Rosalie Lynn

- b. The compliance office works with the business office to review all recruiting expenditures including date limitations on travel to ensure compliance with NCAA and conference rules. Business office staff reviews all expenditures for compliance with university and state rules in addition to following established university business processes for expending funds.
5. Describe the university's policies and standard operating procedures for ensuring that prospects do not receive recruiting inducements (e.g. official visit procedures, policies regarding staff travel advances for recruiting trips/expenses, etc.) contrary to NCAA, conference and institutional rules, including:
- a. Identification of person(s) responsible for these areas;
 - b. Means of monitoring compliance with these rules; and,
 - c. Means of ensuring that only institutional or athletics department funds are expended in these areas.

Defer this issue to the IIC.

6. Describe the university's policies and standard operating procedures for ensuring that enrolled student athletes do not receive extra benefits (e.g. per diem policies, student-host reimbursement procedures, financial aid review policies, equipment checkout/retrieval procedures, etc.) contrary to NCAA, conference and institutional rules, including:
- d. Identification of person(s) responsible for these areas;
 - e. Means of monitoring compliance with these rules; and,
 - f. Means of ensuring that only institutional or athletics department funds are expended in these areas.

Issue – Host Money

Funds are advanced to University employees in the form of travel advances or expense advances to incur expenses on behalf of the University. Upon completion of the event, the employee must account back to the University on the use of the funds by providing receipts documenting amounts spent and return unspent funds. Athletic student hosts are provided "host money" to entertain a prospect. Currently there is no accounting back to the University for how the money was spent and a return of unspent money. Athletics changed its policy during this review to require that host money for all sports follow University policy for documenting how the money is spent consistent with policies on expense advances.

Issue – Summer Sports Camps

In response to this issue in the First Cycle report, Athletics indicated that it would have in place signed contracts with coaches who run summer sports campus on University premises. Currently signed contracts exist only for men's and women's basketball. Athletics must obtain signed contracts with all coaches running summer sports camps on University premises prior to allowing the camp to take place. These contracts must be reviewed by legal counsel and risk management.

Football and Soccer have developed a document on "How Summer (Sport Name) Camp Works". A comparable document should be completed for all summer camps and on file with the Business Office and Athletic Director's Office.

Issue – Coaches' Leave Recording Practices, 1/6th Rule and Summer Camps

Specific days of vacation and sick leave taken by coaches and assistant coaches are not tracked and approved by their supervisor when the leave is taken. Instead, a full year's vacation is recorded in either July or August and sick leave taken is not recorded. This practice is not in compliance with Board of Regents and University policy. The Athletic Department must change its leave recording practices for coaches and assistant coaches to be compliant with Regent and University policy or

obtain approval to consider coaches and assistant coaches as contract employees the same as faculty.

3.3 Established Fiscal Policies and Procedures - Evaluation

Question	Currently Yes	Current
Does the institution demonstrate that it has in place fiscal policies and standards operating procedures to ensure that prospective student-athletes are not provided with impermissible recruiting inducements?	<input checked="" type="checkbox"/>	
Does the institution demonstrate that it has in place fiscal policies and standards operating procedures to ensure that enrolled student-athletes are not provided benefits that are expressly prohibited by NCAA legislation?	<input checked="" type="checkbox"/>	
Does the institution demonstrate that it has in place fiscal policies and standards operating procedures to ensure that all expenditures for athletics are handled consistently in accordance with NCAA, conference and institutional rules?	<input checked="" type="checkbox"/>	





On the basis of the yes/no answers above and the plans for correcting deficiencies below, is the institution in substantial conformity with Operating Principle 3.3 (Established Fiscal Policies and Procedures)?

Yes No

Information to be available for review by the peer review team if requested:

Monitoring records or other documentation for the most recent year, related to impermissible recruiting inducement and prohibited extra benefits (e.g., official visit records, off-campus recruiting records, team travel forms, records related to distribution of meal money, entertainment expenses, equipment).

Question	Currently Yes	Current
Does the institution demonstrate that all funds raised for and expended on athletics are subject to institutionally defined practices of documentation, review and oversight?	<input checked="" type="checkbox"/>	
Does the institution demonstrate that all expenditures from any source for athletics are approved by the institution?	<input checked="" type="checkbox"/>	

Does the institution demonstrate that budget and audit procedures for athletics are consistent with those followed by the institution generally and with the provisions of NCAA Constitution 6.2?		
Does the institution demonstrate that the institution's annual budget for athletics is approved by the institution's chief executive officer or designee from outside the athletics department?		
Does the institution demonstrate that an annual financial audit is performed by a qualified auditor who is not a staff member of the institution and who is selected by the chief executive officer or designee from outside the athletics department?	