

BOARD OF REGENTS
BRIEFING PAPER

Agenda Item Title: **Consistency in Athletic Department financial data – including data submitted to the NCAA**
Meeting Date: **June 1, 2017 meeting of the Committee on Athletics**

BACKGROUND & POLICY CONTEXT OF ISSUE:

NCAA Division I member institutions are required by the NCAA to submit financial data detailing operating revenues and expenses related to intercollegiate athletic programs to the NCAA on an annual basis (Statement of Revenues and Expenditures).

Title 4, Chapter 24, Section 1, Subsection 9.c.ii of the *Handbook* provides that the Board shall review each institution's Statement of Revenues and Expenditures as filed with the NCAA in January of each year. At its February 23, 2017 meeting the Committee on Athletics reviewed the most recent Statement of Revenues and Expenditures filed by each institution.

During that meeting, the Committee provided direction to the institutions concerning their filings and financial data, specifically as it related to the Committee's desire for consistency between the institutions in how financial data is presented and submitted to the Committee and other groups that provide oversight – such as the NCAA. The Committee requested that a review (internal or external) be undertaken of ways to ensure consistency in the reporting of athletic department financial data.

NSHE Internal Audit's FY17 work plan (approved by the Audit Committee in September 2016) includes UNLV Intercollegiate Athletics, and it was subsequently determined that including a review of this nature (consistency between the UNLV and UNR NCAA financial reports) in the scope of the planned audit is appropriate. In addition, NSHE's external auditors (Grant Thornton) have noted that an examination of consistency can be included in the context of their overall audit engagement as a management letter comment. Staff recommends those actions be undertaken as an initial effort to increase consistency in athletic department financial data across institutions.

SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

That NSHE Internal Audit perform a review of the most recent financial reports to the NCAA, to compare and understand differences in how financial data is presented and/or how definitions from the NCAA are interpreted. As part of that effort System Staff would utilize Grant Thornton for a similar review, leveraging Internal Audit's work, to provide additional comments (potentially via a management letter) relating to best practices /consistency.

IMPETUS (WHY NOW?):

Timing of such a review is important for two reasons:

- 1) A timely review of the most recent submissions (FY 2016) will allow for any necessary adjustments by either department to be made ahead of the next submission in January 2018 (for FY 2017).
- 2) Internal Audit would ideally complete their review ahead Grant Thornton's fieldwork for the NSHE financial statement audit, so that this area could be included in the context of the overall external audit (fieldwork for the financial statement audit begins Sept 2017).

BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Consistent with Board policy referenced above (*Handbook* Title 4, Chapter 24, Section 1, Subsection 9.c.ii); the Committee's review led to this discussion and request for internal/external review.
- A similar audit (UNLV Intercollegiate Athletics) is included on NSHE Internal Audit's annual plan approved by the Audit Committee in September 2016. The minor modification in audit scope will be discussed with the Audit and Compliance Committee in June, and is appropriate per the Internal Audit Charter found in Board policy.

- While not part of the NCAA agreed-upon procedures performed by Grant Thornton, procedures for a review of consistency in this area can be included in the context of the overall NSHE audit engagement, potentially as a “management letter comment”, with no plan of extra fees for this service.

POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- Because the statement of revenues and expenditures associated with the submission is prepared on a comprehensive basis of accounting other than GAAP (a basis of accounting described by the NCAA Bylaw 3.2.4.15), differences in financial reporting procedures may be deemed reasonable.
- The annual agreed-upon procedures performed by Grant Thornton to comply with NCAA Bylaws make no representation regarding sufficiency of procedures and is not considered an audit or review; therefore, a review for consistency would be considered out of scope.

ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

None. The Vice Chancellor for Finance, Vice Chancellor for Legal Affairs, and Chief Internal Auditor jointly recommend this approach to address the Committee’s concerns in this area.

COMPLIANCE WITH BOARD POLICY:

Consistent With Current Board Policy: Title # 4 Chapter # 24 Section # 1.9.c.ii
 Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
 Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
 Other: _____
 Fiscal Impact: Yes _____ No X _____
The internal review is on the approved Internal Audit work plan; the external review would be factored into context of overall audit, with no anticipated extra fees.