

EXECUTIVE DIGEST

INTERCOLLEGIATE ATHLETICS AT THE UNIVERSITY OF MICHIGAN

INTRODUCTION This report contains the results of our performance audit of Intercollegiate Athletics at the University of Michigan (U of M) for the period July 1, 1993 through June 30, 1995.

AUDIT PURPOSE This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*. Section 808, Act 312, P.A. 1994, mandates that the Auditor General audit the intercollegiate athletic programs at State public universities, first at Michigan State University and U of M.

BACKGROUND This audit is required by statute to include an examination of revenues and expenditures, internal controls, disclosure of outside income, and the athletic program mission. In addition, the audit is to report on the number of student athletes and the number and amount of scholarships and other financial assistance provided to student athletes. Our

report includes this information in the exhibits presented as supplemental information.

An effective university intercollegiate athletic program strives to ensure academic progress as well as athletic achievement for its student athletes. U of M is required by the National Collegiate Athletic Association* (NCAA) to compile and report information related to the admission requirements* of entering freshmen athletes and graduation rates for student athletes receiving athletic aid*. Our report includes this information as it relates to our first audit objective.

The intercollegiate athletic program is recorded as a self-supporting operation in U of M's auxiliary activities fund. The program is under the direct control of U of M management. The Board in Control of Intercollegiate Athletics (the Board) at U of M serves in an advisory capacity to provide U of M faculty, alumni, and management input to athletic programs. Under the bylaws of the Board of Regents prior to 1993, the Board had greater authority and athletics had greater operating autonomy.

In addition to institutional policies, athletic programs are governed by regulations of the NCAA and the Big Ten Conference*. Like any other unit or department of U of M, athletic programs are also required to follow U of M policies, procedures, and related controls governing expenditure processing, travel reimbursement, purchasing, and payroll. In addition, athletic programs at U of M are subject to routine audit coverage by internal auditors and an annual financial audit by external auditors (public accounting firms). U of M

obtains full scope audits that are performed by a public accounting firm and include auditor's opinions; however, the NCAA requires only a limited scope audit (agreed upon procedures) of athletic programs. Each sports program operates within a budget each year with general discretion as to spending authority, within the parameters of U of M policies.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of U of M's methods to help ensure the academic progress of its student athletes in the intercollegiate athletic program.

Conclusion: We concluded that U of M's methods to help ensure the academic progress of its student athletes in the intercollegiate athletic program, by following NCAA and Big Ten Conference requirements, were generally effective. We found no material weaknesses* in the program; however, we noted audit findings related to management information* and automation of reporting (Findings 1 and 2).

Noteworthy Accomplishments: At the time of our audit, U of M was in the process of conducting the mandated NCAA certification self-study of its athletic programs. The NCAA requires that Division I institutions* conduct a self-study every five years to assess rules compliance, academic integrity, fiscal integrity, and commitment to equity.

Audit Objective: To assess the effectiveness of U of M's internal control structure* related to managing resources of the intercollegiate athletic program.

Conclusion: We concluded that U of M's internal control structure related to managing resources of the intercollegiate athletic program was generally effective. We found no material weaknesses; however, we noted an audit finding related to purchasing documentation (Finding 3).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records related to intercollegiate athletics at the University of Michigan for the period July 1, 1993 through June 30, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

As part of our audit, we prepared, based on U of M's financial statements and other records, a schedule of revenues, expenditures, and transfers for intercollegiate athletics (Exhibits 6 and 7). We also prepared, from information compiled by U of M, other schedules (Exhibits 1 through 5 and 8) which relate to our audit objectives. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

To accomplish our first objective, we examined policies and procedures related to academic support of student athletes. Also, we compiled, tested, and analyzed information, primarily used for NCAA and Big Ten Conference reporting, which provides performance information related to our audit objective, such as graduation rates, freshmen admissions, academic progress, and gender equity. For a random

sample of student athletes, we tested eligibility requirements and noted academic progress.

To accomplish our second objective, we assessed the internal control structure related to athletic aid, athletic revenues and expenditures, and disclosure of outside income. We also reviewed audit coverage related to athletics.

**AGENCY
RESPONSES**

Our audit report includes 3 findings and 3 corresponding recommendations. The agency preliminary response indicated that U of M agreed with all 3 recommendations.