

EXECUTIVE DIGEST

INTERCOLLEGIATE ATHLETICS AT

MICHIGAN STATE UNIVERSITY

INTRODUCTION

This report contains the results of our performance audit of Intercollegiate Athletics at Michigan State University (MSU) 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 MSU and the University of Michigan.

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. MSU 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 MSU's auxiliary activities fund. The program is under the direct control of MSU management. The Athletic Council at MSU serves in an advisory capacity to provide MSU faculty, alumni, and management input to athletic programs.

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 MSU, athletic programs are also required to follow MSU policies, procedures, and related controls governing expenditure processing, travel reimbursement, purchasing, and payroll. In addition, athletic programs at MSU are subject to routine audit coverage by both MSU internal auditors and external auditors (public accounting firm - report of agreed-upon procedures). Each sports program operates within a budget each year with general discretion as to spending authority, within the parameters of MSU policies.

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

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

Conclusion: We concluded that MSU'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, MSU had completed an 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. Based on that self-study, MSU had identified recommendations to improve its athletic programs, primarily related to academic support issues.

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

Conclusion: We concluded that MSU's internal control structure related to managing resources of the intercollegiate athletic program was generally effective. We found no material weaknesses; however, we noted audit findings related to controls over athletic ticket revenues, indirect cost

allocation, and disclosure of outside income (Findings 3 through 6).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records related to intercollegiate athletics at Michigan State University 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 MSU'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 MSU, 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 6 findings and 6 corresponding recommendations. The agency preliminary response indicated that MSU generally agreed with all but 1 of our recommendations.