

# **Athletics Contracting Processes**

*Intercollegiate Athletics*

*September 2021*



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**The University of Texas at Austin**  
**Office of Internal Audits**  
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**OFFICE OF INTERNAL AUDITS**  
THE UNIVERSITY OF TEXAS AT AUSTIN

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September 30, 2021

President Jay C. Hartzell  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of the Intercollegiate Athletics (Athletics) Contracting Processes as part of our Fiscal Year 2021 Audit Plan. The objective of the audit was to evaluate controls for Athletics contracts, particularly focusing on game agreements. The report is attached for your review.

Overall, Athletics should improve controls over the game agreement process to include documented policies and procedures and timely payments. Management has provided their action plans.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA  
Chief Audit Executive

cc: Ms. Nancy Brazzil, Deputy to the President  
Mr. Chris Del Conte, Vice President and Athletics Director  
Mr. Shawn Eichorst, Deputy Athletic Director and Chief Operating Officer  
Ms. Lori Hammond, Senior Associate Athletics Director, Athletics Risk Management and Compliance Services  
Ms. Monica Horvat, Director of Administration  
Mr. Rob Novak, Chief Financial Officer, Intercollegiate Athletics  
Ms. Christine Plonsky, Executive Senior Associate Athletics Director



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# Executive Summary

## Athletics Contracting Processes

Intercollegiate Athletics

Project Number: 21.009

### Audit Objective

The objective of this audit was to evaluate controls for Intercollegiate Athletics (Athletics) contracts, particularly focusing on game agreements.

### Conclusion

Overall, Athletics should improve controls over the game agreement process to include documented policies and procedures and timely payments.

### Audit Observations<sup>1</sup>

Recommendation	Risk Level	Estimated Implementation Date
Game Agreement Process	Medium	March 2022
Documented Policies and Procedures	Medium	March 2022

### Engagement Team

Mr. Jason Boone, CFE, Auditor III

Ms. Angela McCarter, CIA, CRMA, Assistant Director

<sup>1</sup> Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



## Audit Results

Overall, Athletics should improve controls over the game agreement process to include documented policies and procedures and timely payments.

Although the Athletics Business Office (ABO) is involved with creating budgets for the sports, ABO staff members do not review game agreements prior to execution to ensure game guarantees are within budgets. Individual sports' staff members are responsible for monitoring game agreement budgets to prevent overspending, and the ABO is not included in the process until payments are due to other entities. Additionally, game agreements are routed to the appropriate individuals for review and approval before signature of authorized individuals. However, there are currently no documented policies and procedures pertaining to the initiation or execution of game agreements.

### Observation #1 Game Agreement Process

Sports staff members initiate game agreements and send them to the Business Contracts Office for execution without prior review by the ABO. Individual sports determine season schedules and commit to game guarantees without consulting ABO about established budgets. As a result, Athletics may be liable for payments without ABO awareness. Furthermore, ABO is often unaware of payment due dates until after competitions resulting in late payments.

**Recommendation:** The ABO should review game agreements prior to submission to the Business Contracts Office for review and approval. This process allows ABO staff members the opportunity to review payment amounts relative to team budgets, confirm Athletics is agreeing to favorable terms, and know when payments are due in order to adhere to agreement terms and conditions.

**Management's Corrective Action Plan:** Intercollegiate Athletics is implementing the Contract+ campus solution for contract management. This implementation will coincide with a new business process for the creation and approval of game contacts. In collaboration with the Executive Senior Associate AD, Sport Administration, the new business process will include routing to the ABO to review terms, conditions, and contract values, in addition to scheduling notifications for future receivables and payables.

**Responsible Person:** Chief Financial Officer, Intercollegiate Athletics

**Planned Implementation Date:** March 1, 2022

### Observation #2 Documented Policies and Procedures

Athletics does not have documented policies or procedures for the game agreement process; however, the department plans to develop a contract procedures manual. Various staff members rely on experience and knowledge for execution rather than written procedures. There is an



increased risk that game agreements are not appropriately initiated or executed, leading to mismanagement of university funds.

Section 4 of UT System Policy 118 states, “Management shall establish and maintain a system of internal controls that provides reasonable assurance that improprieties are prevented or detected and investigated.”

**Recommendation:** Athletics should continue to develop the contract procedures manual to ensure consistent policies and procedures are applied to game agreements and to maintain business continuity.

**Management’s Corrective Action Plan:** In coordination with the Contract+ implementation outlined above, Intercollegiate Athletics will roll out contracting procedures, which clearly outline the types of agreements, scope of agreements, delegated authorities, and associated business processes. The procedures will be governed through the larger ATH-Policy process and formally completed and implemented in Spring 2022.

**Responsible Person:** Chief Financial Officer, Intercollegiate Athletics

**Planned Implementation Date:** March 1, 2022

## Background

Game agreements serve as contracts for universities during athletic competitions. The visiting school is paid an agreed-upon amount to travel and compete, while the home team is typically a larger school that benefits from hosting a home game. The guaranteed payment amount varies based on the sport and the opposing team. UT Austin Athletics paid \$1,827,000 in game guarantees for FY21.

Sport	FY21 Payments
Baseball	\$ 60,500
Basketball—Men	180,000
Basketball—Women	160,000
Football	1,400,000
Soccer	10,000
Softball	16,500
Total FY21 Payments	\$ 1,827,000

## Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the



## OFFICE OF INTERNAL AUDITS REPORT: ATHLETICS CONTRACTING PROCESSES

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audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this review includes game agreements executed during FY21. The audit objective was to evaluate controls for Athletics contracts, particularly focusing on game agreements.

Specific audit objectives were to:

- Determine whether controls regarding the game agreement contracting process are effective
- Determine whether sports monitor guarantee game contracts for adherence to budgets and to contract terms and conditions

The following procedures were conducted:

- Interviewed individuals regarding game agreement process and roles
- Reviewed the process for initiating and executing game agreements
- Tested a sample of game agreements to determine whether payments matched contract terms and conditions
- Reviewed individual sports' spending on guarantee game amounts to determine whether budgets were followed



## Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	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	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	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

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

## Report Distribution

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