

**Arizona State University  
Office of University Audits  
NCAA Student Employment  
September 26, 2019**

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**Summary:**

National Collegiate Athletic Association (NCAA) compliance audits are completed on a rotational basis to provide coverage to key compliance areas. The NCAA Compliance audit for student employment was included in the Arizona State University (ASU) annual audit plan for Fiscal Year 2020 approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU senior leadership. This audit is in support of ASU's mission of Inclusion and Student Success.

**Background:**

The NCAA is dedicated to advancing fairness, safety and equal opportunity for all student-athletes. Rules and bylaws have been implemented to support this mission along with various governing bodies to ensure compliance. Violations to rules are assessed using a four-level structure ranging from a severe breach of conduct (Level 1) to incidental issues (Level 4) and can have significant impacts to a university's athletic program including postseason bans, scholarship reductions and coach suspensions.

NCAA Bylaws 12, 13, 15, and 16 define the rules governing employment for student-athletes including specific rules addressing fee-for-lesson instruction, employment at camps/clinics (camps), self-employment, and employment. Key requirements include that student-athletes are:

- Paid only for work actually performed
- Paid at a rate that is commensurate with the going rate in the locale
- Not compensated based upon the publicity, reputation, fame, or personal following obtained because of his or her athletics ability
- Not provided benefits, privileges, or pay that are not available to all other employees in similar positions

Rules for employment apply regardless if the student-athlete is employed as a student worker at ASU or by an external entity. Compliance with these requirements is a shared responsibility between Sun Devil Athletics (SDA) Compliance, coaches and staff, student-athletes, as well as ASU faculty and staff who employ student-athletes as student workers.

Student-athletes employed as student workers at ASU follow the overall institutional process established for student workers. This process includes having defined job descriptions, student worker levels with established pay ranges, formal time tracking, and approval of all time worked.

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Coaches and their staff are required to understand and comply with the defined rules regardless if the student-athlete is employed by ASU, an external entity or a camp.

SDA Compliance is responsible for overall education to the various groups involved as well as overall monitoring of student-athlete employment. Key controls of this process include requiring student-athletes to certify at the start of the academic year and the summer term their employment status, employment details, and their overall awareness and compliance with the defined NCAA bylaws. SDA Compliance ensures student-athletes complete all required employment forms, approves all ASU student worker job offers involving student-athletes, and performs additional verification of employment details for student-athletes employed with an external entity. They also review and approve camps including verifying student-athlete employment associated with the camp complies with the defined NCAA bylaws.

**Audit Objective:** The objectives of this engagement were to review the design and effectiveness of processes governing the administration and monitoring of student-athlete employment to ensure compliance with the applicable NCAA bylaws.

**Scope:** The scope of this engagement included all Sun Devil Athletic teams for the 2018/2019 academic year and summer 2018 term. Specific NCAA bylaws considered in scope for testing are documented as part of the methodology. Bylaws not referenced were not included in the scope of this review.

At the time of this audit, SDA Compliance was transitioning from utilizing ACS to ARMS for compliance tracking. The ARMS system implementation primarily occurred over the summer of 2019. As a result of the ongoing implementation, the ARMS application was not considered in the scope of this review. This application will be covered in a subsequent review.

**Methodology:** Our audit consisted of tests of procedures necessary to provide a reasonable basis for expressing our opinion. Specifically, audit work consisted of interviews with SDA Compliance staff, review of documented policies and procedures and substantive tests including the following areas:

- Assessing education efforts by SDA Compliance of NCAA bylaws regarding student-athlete employment for student-athletes, coaches and staff, and external employers by reviewing the following:
  - Student-athletes: Reviewing the employment forms, SDA Compliance website, Summer 2019 Student-Athlete Newsletter and video shown to all student-

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- athletes at the beginning of the academic year. {12.4.2.1, 12.4.4, 13.12.2.1.1, 15.2.7, 16.11.2.1}
- SDA coaches and staff: Reviewing the Coaches Rules Education presentation slides from January 2019 and April 2019 meetings, and camp employment forms completed by the camp director. {13.12.2.1, 15.2.7, 16.11.2.1}
  - Employers (outside of ASU): Reviewing the Employment Verification form. {15.2.7, 16.11.2.1}
  - Confirming student-athletes have completed employment verification forms in a timely manner for a sample of 75 student-athletes.
  - Confirming the information on the student-athlete employment form matches the information on the external employer verification form and complies with NCAA bylaws for a sample of 30 externally employed student-athletes.
  - Validating student-athletes employed as student workers complied with defined NCAA bylaws and ASU student employment policies for a sample of 15 student-athletes. Specifically, average hours worked, time entry approval process, existence of job descriptions and SDA Compliance approval were assessed.
  - Assessing overall monitoring activities performed by SDA Compliance.
  - Ensuring camps were reviewed and approved by SDA Compliance for a sample of 12 camps. In addition, for 18 student-athletes employed at a camp, verifying actual compensation was supported by the required time sheets approved as part of the camp paperwork.

**Conclusion:** Overall, the SDA Compliance department has implemented effective controls to ensure student-athlete employment complies with NCAA bylaws; however, improvement is required to ensure controls are operating consistently.

Specifically, training and education have been implemented through multiple channels to ensure student-athletes, coaches and staff and external employers are aware of the requirements related to student-athlete employment. In addition, student-athletes are required to certify their employment status at the start of each academic year and again at the start of the summer session as well as when employment status changes. SDA Compliance approves all ASU job offers involving student-athlete student worker positions in addition to performing verification of employment with external employers to ensure employment terms are aligned with NCAA bylaw requirements. While controls have been implemented, existing tracking and monitoring efforts do not ensure that SDA Compliance has adequate visibility into student employment to prevent potential violations due to the high percentage of student-athletes that do not complete their certifications in a timely manner.

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It was also noted that the existing processes for camps as they relate to student employment are not working as intended. Specifically, of the 12 camps reviewed, five had inconsistent or incomplete documentation related to student-athlete employment such as not identifying the student-athlete as employed by the camp as required, timesheets not being approved, and timesheets not matching with other time reporting documentation. In addition, six of the 18 (33%) student-athletes tested were compensated a different amount than what was reported through the approved time sheets. Variances ranged from \$46 underpayment to \$59 overpayment based on the approved hours maintained with camp documentation. SDA Compliance further reviewed the one overpayment instance and communicated the overpayment did not result in a NCAA violation.

While the payment variances noted were not material, the variances combined with the overall issues noted with the camp program documentation indicate improvements are necessary to ensure appropriate oversight and monitoring of these activities.

The control standards University Audit considered during this audit and the status of the related control environment are provided in the following table.

<b>General Control Standard</b> (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	<b>Control Environment</b>	<b>Finding No.</b>	<b>Page No.</b>
<b>Reliability and Integrity of Financial and Operational Information</b>			
<ul style="list-style-type: none"> <li>• Camps follow defined SDA Compliance processes related to student-athlete employment.</li> </ul>	Opportunity for Improvement	3	10
<b>Effectiveness and Efficiency of Operations</b>			
<ul style="list-style-type: none"> <li>• Student-athletes certify employment status and compliance to related NCAA bylaws each academic year and summer session.</li> </ul>	Opportunity for Improvement	1	7
<ul style="list-style-type: none"> <li>• SDA Compliance monitors program governing student-athlete employment to drive compliance and identify potential employment violations.</li> </ul>	Opportunity for Improvement	2	8
<ul style="list-style-type: none"> <li>• SDA Compliance approves all ASU student worker job offers involving student-athletes.</li> </ul>	Reasonable to Strong Controls in Place.	N/A	N/A
<b>Safeguarding of Assets</b>	Not Applicable	N/A	N/A
<b>Compliance with Laws and Regulations</b>			

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<ul style="list-style-type: none"><li>• SDA Compliance provides training to student-athletes, coaches and staff, and external employers to ensure an appropriate understanding of NCAA bylaws related to student-athlete employment.</li></ul>	Reasonable to Strong Controls in Place.	N/A	N/A
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We appreciate the assistance of SDA Compliance during the audit.

Lisa Grace, Executive Director, University Audit and Advisory Services  
Andrea Idaszak, SR Auditor, University Audit and Advisory Services

## **Audit Results, Recommendations, and Responses**

### **1. Monitoring and tracking of student-athlete employment requires additional improvement.**

**Condition:** SDA Compliance has implemented controls to require student-athletes to certify employment status and compliance with defined NCAA student-athlete employment bylaws each academic year and summer session; however, existing controls are not effective to ensure all student-athletes complete the required certification. This is due to ineffective tracking processes resulting in SDA Compliance being unaware of the high volume of missing/late certification forms.

**Criteria:** Student-athletes are required to complete an employment certification each academic year and summer session, which captures if the student-athlete will be employed and the relevant details such as employer, position, and pay rate if employed. This form is required prior to the start of each term as well as updated as employment status changes. This allows SDA Compliance the opportunity to review reported employment to ensure all employment is compliant with defined NCAA bylaws prior to employment starting.

**Cause:** The existing tracking process is ineffective and relies on manual effort to identify student-athletes that have not submitted their summer forms. This is partially mitigated as SDA Compliance is able to force compliance at the start of the academic term by not releasing the student-athlete for practice until all required forms and certifications have been received.

SDA Compliance's approach for summer employment is to make reasonable efforts to educate student-athletes by making the form available; however, they do not require pre-approval of employment except in certain instances related to elite athletes. For all other student-athletes, they treat the employment certification control as a detective control dependent on the student-athlete self-reporting potential violations.

**Effect:** As a result of the ineffective tracking processes, SDA Compliance was unaware of the high volume of missing/late certification forms. In addition, due to the vast majority of student-athlete employment occurring during the summer term, the current approach results in a high percentage of student-athlete employment not being assessed by SDA Compliance, minimizing their ability to identify potential violations.

**Recommendation:** A formalized tracking process should be implemented that includes all student-athletes required to certify for the specific term. This listing can then be used

to track all missing certifications and related communications to student-athletes for non-compliance including the instances where pre-approval of employment is required.

**Management Response:** SDA Compliance acknowledges there were issues, some of them likely software-related, that affected the office's tracking of student-athlete summer employment form completion. During the summer of 2019, however, the office modified its tracking system as suggested by University Audit to more efficiently and comprehensively identify student-athletes who have not completed their forms.

To be clear, however, the tracking system that SDA Compliance previously employed did not result in a failure to comply with SDA's summer employment policy. That policy does not require a 100% completion rate for all student-athletes; nor should it. The potential risk of an employment violation over the summer for the vast majority of student-athletes is small and, thus, does not warrant the resource expenditure required to ensure that every student-athlete's form is submitted. Accordingly, SDA's policy requires that certain student-athletes complete their forms (e.g., those designated as "elite" in accordance with NCAA Committee on Infractions guidance) at some point before fall competition and that reasonable efforts be taken to have the rest of the student-athletes fill out their forms. During the terms covered by this audit, SDA Compliance reviewed the employment of all of the student-athletes who had previously been determined to require employment form completion.

That said, SDA Compliance believes that the tracking mechanism suggested by University Audit will allow the office to more efficiently identify the student-athletes who have not submitted employment forms and determine whether follow up is necessary.

## **2. SDA Compliance monitoring of external employment is not effective resulting in 54% of external employment not being confirmed by the employer.**

**Condition:** The existing process is to obtain verification of all external employment reported by student-athletes; however, employers often do not respond and SDA Compliance follow up is inconsistent resulting in low compliance. This is further compounded by the late submission of summer employment forms as discussed in issue one.

**Criteria:** External employers are required to report the position and pay rate of the student-athlete in addition to confirming their understanding and compliance with the relevant NCAA bylaws.

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**Cause:** The existing verification process is dependent on the external employer responding to SDA Compliance's request; however, in many instances, the employer does not respond and subsequent follow up activities performed by SDA Compliance are inconsistent.

**Effect:** In many instances, external employment verification is not received. This is mitigated in part by the student-athlete certification. As part of the certification, the student-athlete is required to report their position and pay rate, which allows SDA Compliance to identify and resolve potential issues with student-athletes.

**Recommendation:** It is recommended that the existing process take a more risk-based approach on when responses are necessary by external employers and develop further enhanced procedures to ensure responses in these instances.

One approach is to define red flags/triggers based on the student-athlete certification form such as position details (i.e. pay rate) or high-risk employers/industries where there is concern of a potential violation. In these instances, the existing process would be followed which requires a positive response/certification from the external employer. Additional steps may be warranted to ensure full compliance with the identified high-risk items such as requiring student-athletes to provide verification of compensation. This process could also be implemented for elite student-athletes regardless of employment details.

For student-athlete external employment that does not trigger one of the defined red-flags/triggers, the process could be changed to an exception-based response. Specifically, SDA Compliance could provide a revised format of the certification form that communicates the details provided by the student-athlete in addition to the specific NCAA bylaw requirements; however, would request that the employer respond only if the employment details are not accurate or if they have questions regarding the NCAA bylaws. This approach ensures resources are aligned with high-risk employment verification and eliminates unnecessary follow-up and tracking where not warranted.

**Management Response:** SDA Compliance believes that its monitoring of external employment is effective and that it is substantially similar to the above recommendation as it relates to the risk-based approach for employer responses. That said, SDA Compliance agrees that the verification for low-risk student-athlete employment could be accomplished more efficiently as set forth in the recommendation.

For the same balancing considerations listed under the response to the first finding and because external employer follow-up cannot be guaranteed, SDA Compliance does not require a 100% return rate on employer verifications. Rather, as noted in its written

student-athlete employment policy, SDA Compliance employs a risk-based approach that is consistent with Audit's recommendation for this finding. Moving forward, however, rather than attempting to send verifications to every employer (resulting in an expected low return rate), SDA Compliance will limit sending verification requests to employers of elite athletes and student-athletes whose employment raises other potential concerns (e.g., based on position, pay, industry). Further, SDA Compliance will immediately implement an exception-based response as suggested by Audit for low risk student-athlete employment.

### **3. Oversight of camps requires improvement to ensure SDA Compliance has appropriate visibility into camps.**

**Condition:** Camps are managed outside of ASU; however, must still comply with relevant NCAA bylaws. SDA Compliance has implemented various controls to facilitate assessing key areas prior to the camp starting and again after the camp has ended; however, these are not being followed resulting in SDA Compliance not having appropriate visibility into the camps increasing the risk of potential NCAA violations.

**Criteria:** Coaches are required to submit pre-camp and post-camp documentation to the SDA Compliance team. This allows the compliance group to assess the camp prior to being advertised and to identify if student-athletes will be employed by the camps as well as verifying post-camp events such as student-athlete compensation.

**Cause:** Testing indicated that coaches do not comply with the existing process resulting in documentation being incomplete, missing, or submitted late.

**Effect:** SDA Compliance does not have adequate visibility into camps to identify potential NCAA violations prior to occurrence. Specifically, five of the 12 camps reviewed submitted the pre-camp paperwork after the camp ended. Eight of the camps reviewed showed that SDA Compliance review occurred 6 months or more after the camp had ended, generally due to the paperwork being submitted late. Five of the camps had inconsistent documentation related to student-athlete employment such as not identifying the student-athlete as employed by the camp as required, timesheets not being approved, and timesheets not matching with other time reporting documentation.

In addition, six of the 18 (33%) student-athletes tested were compensated a different amount than what was reported through the approved time sheets. Variances ranged from \$46 underpayment to \$59 overpayment based on the approved hours maintained with camp documentation. SDA Compliance further reviewed the overpayment instance and communicated the overpayment did not result in a NCAA violation.

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While the payment variances noted were not material, the variances combined with the overall issues noted with the camp program documentation indicate improvements are necessary to ensure appropriate oversight and monitoring of these activities.

**Recommendation:** SDA Compliance should implement additional reporting of compliance related to camps to ensure appropriate visibility into non-compliance to SDA Administration. In addition, SDA Administration should communicate their expectations of compliance in this area to SDA coaches and staff including potential actions addressing non-compliance such as limiting or prohibiting camps from occurring.

**Management Response:** SDA Compliance will continue to work with SDA Administration toward operational standardization for camps as well as the creation of accountability measures (e.g., camp closures or suspension of camps for a period of time) for sport programs that do not follow existing institutional camp policies. SDA Compliance expects that accountability measures will be established during the 2019-20 academic year for implementation during the 2020 summer camp season.

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