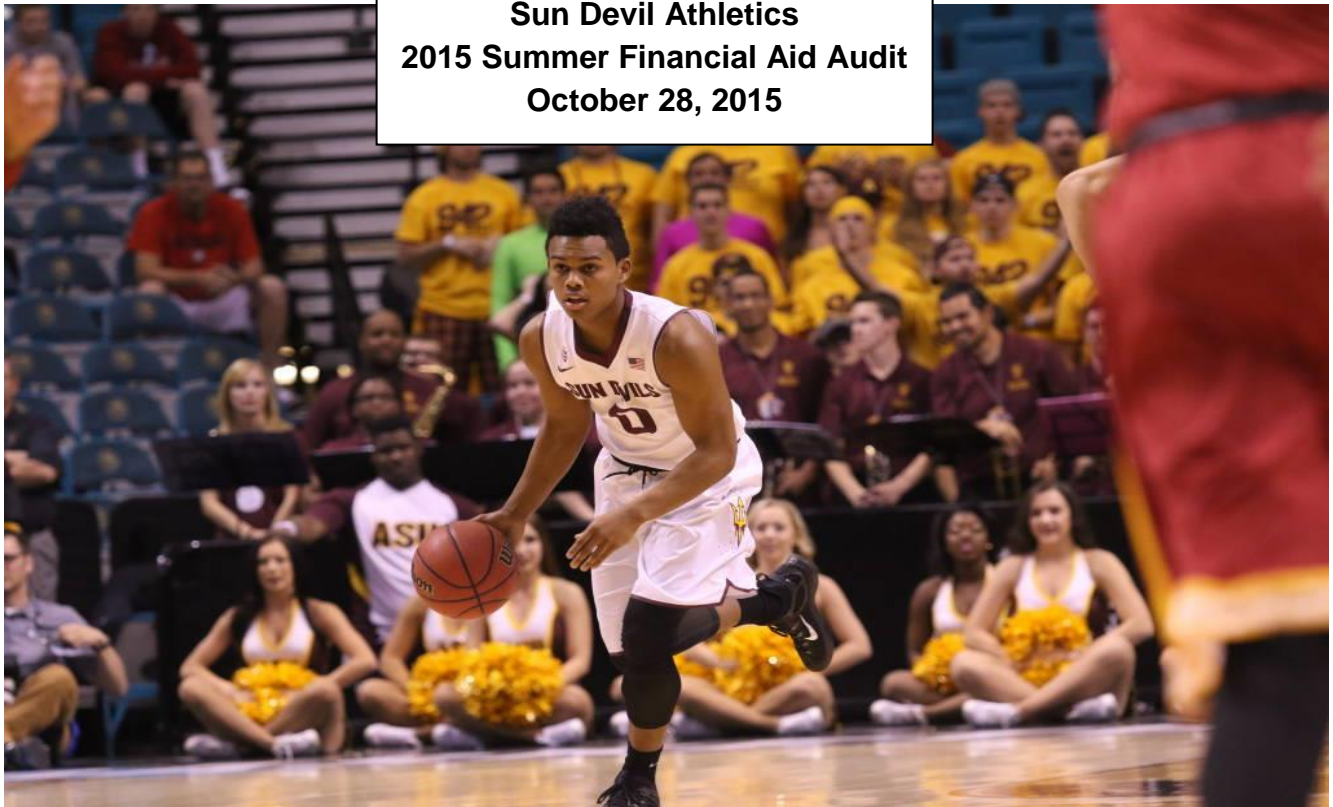




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Summary

The Sun Devil Athletics – 2015 Summer Financial Aid audit was included in the Arizona State University (ASU) annual audit plan for Fiscal Year 2016. This audit is historically completed on an annual basis, and is deemed to be of strategic importance given the reputational risk posed to the University for non-compliance with NCAA regulations and bylaws.

Background: Approximately five hundred fifty student-athletes at ASU compete in ten men’s programs and thirteen women’s programs in one of the most competitive conferences in the country, the Pac-12. Men compete in baseball, basketball, football, golf, swimming & diving, indoor track & field, outdoor track & field, cross country, wrestling, and ice hockey; women compete in basketball, golf, gymnastics, soccer, softball, swimming & diving, tennis, indoor track & field, outdoor track & field, cross country, volleyball, beach volleyball, and water polo. The University’s Office of Athletics Compliance (Athletics Compliance) is responsible for administering and monitoring sports program compliance with NCAA regulations and bylaws. The major institutional risks the University seeks to mitigate include regulatory and reputational risk.

Audit Objectives: The objectives of the engagement were to evaluate the effectiveness of the Sun Devil Athletics and Athletics Compliance processes to ensure compliance with NCAA bylaws regarding student athlete financial aid and pertinent Arizona Board of Regents and Arizona State University policies and procedures.

Scope: The scope of this engagement was to review and evaluate the University’s compliance with the National Collegiate Athletic Association (NCAA) rules and bylaws pertaining to summer 2015 Financial Aid. The summer 2015 period for all twenty-three Sun Devil Athletics sponsored teams was reviewed at the request of Athletics Compliance, which is responsible for administering and monitoring sports program compliance with NCAA regulations and bylaws.

Methodology: We evaluated supporting documentation provided by Athletics Compliance for the sports programs under review, and assessed the effectiveness of processes governing the administration and monitoring of the Financial Aid process, as well as compliance with applicable NCAA bylaws and pertinent policies and procedures.

Athletics Compliance provided a list of student-athletes who were scheduled to take summer session classes. A random sample of student-athletes was selected, and this information was then reconciled to the individual student-athlete accounts in PeopleSoft for the selected student-athletes.

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All twenty-three of the ASU sponsored teams were included in the scope of the audit, and a sample size of thirty percent of the student-athletes was selected from twenty-two sponsored teams for inclusion in the audit test work. The women's beach volleyball team did not have any members request athletic financial aid for summer 2015.

The number of student-athletes receiving athletic financial aid includes first, second, and dynamic summer sessions. Dynamic summer sessions have variable start dates and are not contained fully within the first or second summer sessions. Student athletes who received aid in multiple sessions are counted multiple times. The breakdown of the audit sample by sport is as follows:

Sport	Number of Student-Athletes Receiving Athletic Financial Aid	Number of Students Sampled
Women's Basketball	28	8
Women's Beach Volleyball	0	0
Women's Cross Country	4	2
Women's Golf	1	1
Women's Gymnastics	8	3
Women's Soccer	30	8
Softball	12	4
Women's Swimming	4	2
Women's Tennis	5	2
Women's Track, Indoor and Outdoor	10	4
Women's Volleyball	19	5
Women's Water Polo	5	2
Baseball	12	4
Men's Basketball	18	5
Men's Cross Country	2	1
Football	173	44

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Football Graduate Assistant Coaches	4	2
Men's Golf	4	2
Men's Ice Hockey	2	1
Men's Swimming	1	1
Men's Track, Indoor and Outdoor	5	2
Men's Wrestling	9	3
Total	356	106

Conclusion: Based on the audit test work performed, we noted no instances of non-compliance with the NCAA bylaws under review related to Summer Financial Aid.

During the 2013 Summer Financial Aid Audit, Athletics Compliance and the SDA Office of Student-Athletic Development identified that they were working with Follett Higher Education Group, Inc. to streamline the process involving student-athlete books so the reconciliation was completed efficiently and in a timely manner. For the current audit, the student-athlete book reconciliation was not completed in a timely manner prior to the start of the Fall 2015 semester. Whether this exception constitutes a violation of NCAA Bylaws reportable to the Pac-12 Conference or the NCAA is a matter we refer to the Athletics Compliance Office for decision.

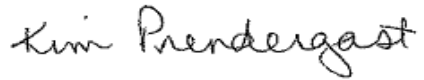
The NCAA Bylaws reviewed are listed in Appendix A, while the NCAA Compliance rules are listed in Appendix B.

The control standards we considered during this audit and the status of the related control environment are provided in the following table:

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Finding No.	Page No.
Reliability and Integrity of Financial and Operational Information	Not Applicable	N/A	N/A
Effectiveness and Efficiency of Operations	Not Applicable	N/A	N/A
Safeguarding of Assets	Not Applicable	N/A	N/A
Compliance with Laws and Regulations	Reasonable to Strong Controls in Place	N/A	N/A

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We appreciate the assistance of Athletics Compliance and the Student Business Services office staff during the audit.



Kim Prendergast, CPA, CFE
Internal Auditor Senior

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Appendix A – NCAA Bylaws Reviewed

The following NCAA Bylaws were selected for inclusion in the SDA –2015 Summer Financial Aid audit:

15.2.3 Books. A member institution may provide a student-athlete financial aid that covers the actual cost of required course-related books. **[R]** *(Revised: 4/24/03 effective 8/1/03)*

15.2.8 Summer Financial Aid. Summer financial aid may be awarded only to attend the awarding institution's summer term, summer school or summer-orientation program, provided the following conditions are met: *(Revised: 1/10/90)*

- (a) The student has been in residence a minimum of one term during the regular academic year;
- (b) The student is attending a summer term, summer school or summer-orientation program and financial aid is administered pursuant to Bylaw 15.2.8.1.2, 15.2.8.1.3 or 15.2.8.1.4; or *(Revised: 1/10/90, 1/10/92)*
- (c) The student is a two-year or a four-year college transfer student and is receiving aid to attend the awarding institution's summer-orientation program. *(Adopted: 1/10/92)*

15.2.8.1 General Stipulations. A student-athlete who is eligible for institutional financial aid during the summer is not required to be enrolled in a minimum full-time program of studies. However, the student-athlete may not receive financial aid that exceeds the cost of attendance in that summer term. A student-athlete may receive institutional financial aid based on athletics ability (per Bylaw 15.02.4.1), outside financial aid for which athletics participation is a major criterion (per Bylaw 15.2.6.4) and educational expenses awarded (per Bylaw 15.2.6.5) up to the value of a full grant-in-aid, plus any other financial aid unrelated to athletics ability up to cost of attendance. (See Bylaws 15.01.6.1, 15.01.6.2, 16.3, 16.4 and 16.12.) *(Revised: 4/29/04 effective 8/1/04, 5/26/09)*

15.2.8.1.1 Exception for Pell Grant. A student-athlete who receives a Pell Grant may receive financial aid equivalent to the limitation set forth in Bylaw 15.2.8.1 or the value of a full grant-in-aid plus the Pell Grant, whichever is greater. *(Adopted: 4/29/04 effective 8/1/04)*

15.2.8.1.2 Enrolled Student-Athletes. 15.2.8.1.2 Enrolled Student-Athletes. After initial full-time enrollment during a regular academic year, a student-athlete shall not receive athletically related financial aid to attend the certifying institution's summer term or summer school unless the student-athlete received such athletically related aid from the certifying institution during the student-athlete's previous academic year at that institution. Further, such aid may be awarded only in proportion to the amount of athletically related financial aid received by the student-athlete during the student-athlete's previous academic year at the certifying institution. The proportionality restriction shall not apply to a student-athlete who has exhausted his or her eligibility and is enrolled in course work acceptable toward his or her degree requirements. *(Adopted: 1/10/90 effective 8/1/90, Revised: 1/10/91, 1/10/92, 11/12/97, 4/26/12)*

15.2.8.1.2.1 Attendance during Only One Term of Previous Academic Year. A student-athlete who attended the institution on a full-time basis for only one regular term during the previous academic year may receive the same percentage of financial aid during the following summer term that the student-athlete received during the term in which the student-athlete was enrolled on a full-time basis. *(Adopted: 1/10/92)*

15.2.8.1.2.2 Multiple Summer Sessions. An institution that conducts multiple summer sessions may not award athletically related financial aid to attend any one session that exceeds the proportion of the amount of athletically related financial aid received by the student-athlete during the previous academic year. *(Adopted: 1/10/92)*

15.2.8.1.2.3 Effect of Reduction When Excess Aid is Awarded. If an institution provides a student-athlete with a full athletics grant during the academic year but is required to reduce the grant in accordance with Bylaw

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15.1.4 (reduction when excess aid is awarded), the institution may provide the student-athlete full athletically related financial aid to attend the institution's summer term.

15.2.8.1.2.4 Exception for Nonqualifiers. A nonqualifier may receive athletically related financial aid to attend an institution's summer term or summer school after the first academic year in residence under the following conditions: *(Adopted: 1/10/92, Revised: 1/14/97 effective 8/1/97)*

- (a) The student-athlete has satisfied progress toward degree requirements and, thus, would be eligible for competition for the succeeding year (the student-athlete must have successfully satisfied the applicable requirements of Bylaw 14.4.3 and be in good academic standing at the institution);
- (b) The student-athlete has been awarded athletically related financial aid for the succeeding academic year; and
- (c) The student-athlete receives athletically related financial aid to attend the institution's summer term or summer school only in proportion to the amount of athletically related financial aid the student will receive for the succeeding year.

15.2.8.1.2.5 Exception for First-Time Recipient in the Next Academic Year. A student-athlete who has not received athletically related aid from the certifying institution during a previous academic year may receive athletically related financial aid to attend the institution's summer term or summer school under the following conditions: *(Adopted: 1/15/11)*

- (a) The student-athlete has been awarded athletically related financial aid for the following academic year; and
- (b) The aid is awarded only in proportion to the amount of athletically related financial aid the student will receive for the following academic year.

15.2.8.1.3 Prior to Initial, Full-Time Collegiate Enrollment—Institutional Nonathletics Aid. The following conditions apply to the awarding of institutional nonathletics financial aid to a prospective student-athlete to attend an institution in the summer prior to the prospective student-athlete's initial, full-time collegiate enrollment: **[D]** *(Revised: 1/10/90, 1/10/92, 4/29/04, 1/10/05 effective 5/1/05)*

- (a) The recipient shall be admitted to the awarding member institution in accordance with regular, published entrance requirements; *(Adopted: 1/10/90)*
- (b) The recipient, if recruited (per Bylaw 15.02.8), is subject to NCAA transfer provisions pursuant to Bylaw 14.5.2-(h); *(Adopted: 1/10/90, Revised: 1/15/11 effective 8/1/11)*
- (c) During the summer term or orientation period, the recipient shall not engage in any countable athletically related activities except for those activities specifically permitted in Bylaws 13 and 17 (see Bylaws 13.11.3.9, 17.1.1 and 17.1.1.1); and *(Adopted: 1/10/90, Revised: 3/14/05, 1/14/12)*
- (d) The awarding institution certifies in writing that the student's financial aid was granted without regard in any degree to athletics ability. The written certification shall be on file in the office of the director of athletics and shall be signed, or electronically authorized (e.g., electronic signature), by the faculty athletics representative and the director of financial aid. *(Adopted: 1/10/90, Revised: 4/26/01, 3/10/04)*

15.2.8.1.4 Prior to Initial Full-Time Enrollment at the Certifying Institution—Athletics Aid. The following conditions apply to the awarding of athletically related financial aid to a prospective student-athlete (including a prospective student-athlete not certified by the NCAA Eligibility Center as a qualifier) to attend an institution in the summer prior to the prospective student's initial, full-time enrollment at the certifying institution (see also Bylaw 13.02.12.1): *(Adopted: 4/27/00 effective 8/1/00, Revised: 4/29/04, 1/10/05 effective 5/1/05, 5/9/07)*

- (a) The recipient shall be admitted to the awarding member institution in accordance with regular, published entrance requirements;
- (b) The recipient is enrolled in a minimum of six hours of academic course work (other than physical education activity courses) that is acceptable degree credit toward any of the institution's degree programs. Remedial, tutorial and noncredit courses may be used to satisfy the minimum six-hour requirement, provided the courses are considered by the institution to be prerequisites for specific courses acceptable for any degree program and are given the same academic weight as other courses offered by the institution; *(Revised: 9/6/00)*

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(c) The recipient, if recruited (per Bylaw 15.02.8), is subject to NCAA transfer provisions pursuant to Bylaw 14.5.2-(h), unless admission to the institution as a full-time student is denied; *(Revised: 4/26/01, 1/15/11 effective 8/1/11)*

(d) During the summer term or orientation period, the recipient shall not engage in any countable athletically related activities except for those activities specifically permitted in Bylaws 13 and 17 (see Bylaws 13.11.3.9, 17.1.1 and 17.1.1.1); and *(Revised: 3/14/05, 1/14/12)*

(e) Summer coursework is not used for the purpose of completing initial-eligibility or continuing-eligibility (transfer eligibility, progress-toward-degree) requirements. However, the hours earned during the summer prior to initial full-time enrollment at the certifying institution may be used to satisfy the applicable progress-toward-degree requirements in following years (see Bylaw 14.4.3). *(Revised: 6/21/01, 3/10/04)*

15.2.8.2 Branch School. An institution may not provide a student-athlete with financial aid to attend a summer session at a branch campus of the institution.

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Appendix B – NCAA Compliance

22.2.1.2 Rules Compliance. Membership in the Association places the responsibility on each institution to ensure that its staff, student-athletes and other individuals and groups representing the institution's athletics interests comply with the applicable Association rules and regulations. Consistent with this responsibility, the institution shall demonstrate that:

(a) It has in place a set of written policies and procedures that are clearly communicated to athletics staff members and those individuals outside athletics who have rules-compliance responsibilities. These written policies and procedures must assign specific responsibilities in the areas of rules compliance, including assignment of direct accountability for rules compliance to the individual the president or chancellor assigns overall responsibility for the athletics program; *(Revised: 3/8/06, 1/8/07 effective 8/1/08 beginning with the third athletics certification cycle)*

(b) In critical and sensitive areas, institutional compliance procedures provide for the regular participation of persons outside of the athletics department. The responsibility for admission, certification of academic standing, evaluation of academic performance and administration of financial aid for student-athletes must be vested in the same agencies that have authority in these matters for students in general; *(Revised: 1/8/07 effective 8/1/08 beginning the third athletics certification cycle)*

(c) Rules compliance is the subject of a continuous, comprehensive educational effort to a wide range of constituencies; *(Revised: 1/8/07 effective 8/1/08 beginning with the third athletics certification cycle)*

(d) A clear and unambiguous commitment to rules compliance is a central element in all personnel matters for individuals involved in the intercollegiate athletics program; and

(e) At least once every four years, its rules-compliance program is the subject of evaluation by an authority outside the athletics department. The evaluation shall include a review of the following program areas:

(Revised: 4/24/03 effective 8/1/03, 4/30/09)

- (1) Governance and organization;
- (2) Initial-eligibility certification;
- (3) Continuing-eligibility certification;
- (4) Transfer-eligibility certification;
- (5) Academic Performance Program;
- (6) Financial aid administration, including individual and team limits;
- (7) Recruiting (e.g., contacts and evaluations, official and unofficial visits);
- (8) Camps and clinics;
- (9) Investigations and self-reporting of rules violations;
- (10) Rules education;
- (11) Extra benefits;
- (12) Playing and practice seasons;
- (13) Student-athlete employment;
- (14) Amateurism; and
- (15) Commitment of personnel to rules-compliance activities.