

**Arizona State University
Sun Devil Athletics
2016 Summer Financial Aid Audit
August 17, 2016**

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Summary

The Sun Devil Athletics (SDA) – 2016 Summer Financial Aid audit was included in the Arizona State University (ASU) annual audit plan for Fiscal Year 2017. 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 National Collegiate Athletic Association (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 Athletics Compliance Office (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 NCAA rules and bylaws pertaining to summer 2016 Financial Aid. The summer 2016 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: University Audit 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.

All twenty-three of the ASU sponsored teams were included in the scope of the audit, and a sample size of twenty-five percent of the student-athletes was selected from eighteen

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sponsored teams for inclusion in the audit test work. The women's beach volleyball team, women's golf, and men's cross country teams did not have any specific members request athletic financial aid for summer 2016.

The student-athletes received athletic financial aid to attend school during summer sessions. Student athletes are counted once even if receiving summer financial aid for multiple sessions of summer school. 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 | 16 | 4 |
| Women's Beach Volleyball | 0 | 0 |
| Women's Cross Country | 1 | 1 |
| Women's Golf | 0 | 0 |
| Women's Gymnastics | 7 | 2 |
| Women's Soccer | 17 | 5 |
| Softball | 4 | 1 |
| Women's Swimming | 6 | 2 |
| Women's Tennis | 1 | 1 |
| Women's Track, Indoor and Outdoor | 3 | 1 |
| Women's Volleyball | 15 | 4 |
| Women's Water Polo | 3 | 1 |
| Baseball | 13 | 4 |
| Men's Basketball | 11 | 3 |
| Men's Cross Country | 0 | 0 |
| Football | 83 | 21 |
| Men's Golf | 3 | 1 |
| Men's Ice Hockey | 9 | 3 |

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| | | |
|---------------------------------|-----|----|
| Men's Swimming | 7 | 2 |
| Men's Track, Indoor and Outdoor | 1 | 1 |
| Men's Wrestling | 8 | 2 |
| Total | 208 | 59 |

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

For the current 2016 Summer Financial Aid Audit, the student-athlete book reconciliation was completed in a timely manner prior to the start of the Fall 2016 semester. This is a direct result of Athletics Compliance and the SDA Office of Student-Athletic Development working with the Sun Devil Stores manager, Follett Higher Education Group, Inc., to streamline the process involving student-athlete books so the reconciliation could be completed efficiently and in a timely manner.

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

The control standards University Audit 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 |

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

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Appendix A – NCAA Bylaws Reviewed

The following NCAA Bylaws were selected for inclusion in the SDA –2016 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, 1/10/92)*

- (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
- (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.

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 and 15.02.4.2), and any other financial aid up to the value of his or her cost of attendance. (See Bylaws 15.01.6.1, 16.3, 16.4 and 16.12.) *(Revised: 4/29/04 effective 8/1/04, 5/26/09, 1/15/11 effective 8/1/11, 1/17/15 effective 8/1/15)*

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. 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. *(Adopted: 1/10/90 effective 8/1/90, Revised: 1/10/91, 1/10/92, 11/12/97, 4/26/12, 4/28/16)*

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 financial aid during the following summer term *(Adopted: 1/10/92, Revised: 04/28/16)*

15.2.8.1.2.2 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, 4/28/16)*

- (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); and
- (b) The student-athlete has been awarded athletically related financial aid for the succeeding academic year.

15.2.8.1.2.3 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, provided he or she has been awarded athletically related financial aid for the following academic year. *(Adopted: 1/15/11, Revised: 4/28/16)*

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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]** (*Adopted: 1/10/90, Revised: 1/10/92, 4/26/01, 3/10/04, 4/29/04, 1/10/05, effective 5/1/05, 3/14/05, 1/15/11 effective 8/1/11, 1/14/12, 1/18/14 effective 8/1/14*)

- (a) The recipient shall be admitted to the awarding member institution in accordance with regular, published entrance requirements;
- (b) The recipient, if recruited (per Bylaw 15.02.8), is subject to NCAA transfer provisions pursuant to Bylaw 14.5.2-(h);
- (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).

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: 9/6/00, 4/26/01, 3/10/04, 4/29/04, 1/10/05 effective 5/1/05, 3/14/05, 5/9/07, 1/15/11 effective 8/1/11, 1/14/12*)

- (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;
- (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;
- (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; and
- (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).

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

2.1 The Principle of Institutional Control and Responsibility. [*]

2.1.1 Responsibility for Control. [*] It is the responsibility of each member institution to control its intercollegiate athletics program in compliance with the rules and regulations of the Association. The institution's president or chancellor is responsible for the administration of all aspects of the athletics program, including approval of the budget and audit of all expenditures. *(Revised: 3/8/06)*

2.1.2 Scope of Responsibility. [*] The institution's responsibility for the conduct of its intercollegiate athletics program includes responsibility for the actions of its staff members and for the actions of any other individual or organization engaged in activities promoting the athletics interests of the institution.

2.8 The Principle of Rules Compliance. [*]

2.8.1 Responsibility of Institution. [*] Each institution shall comply with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics programs. It shall monitor its programs to assure compliance and to identify and report to the Association instances in which compliance has not been achieved. In any such instance, the institution shall cooperate fully with the Association and shall take appropriate corrective actions. Members of an institution's staff, student-athletes, and other individuals and groups representing the institution's athletics interests shall comply with the applicable Association rules, and the member institution shall be responsible for such compliance.

2.8.2 Responsibility of Association. [*] The Association shall assist the institution in its efforts to achieve full compliance with all rules and regulations and shall afford the institution, its staff and student-athletes fair procedures in the consideration of an identified or alleged failure in compliance.

2.8.3 Penalty for Noncompliance. [*] An institution found to have violated the Association's rules shall be subject to such disciplinary and corrective actions as may be determined by the Association.