

UNIVERSITY OF HAWAI‘I

University of Hawai‘i at Mānoa Office of Intercollegiate Athletics
Based on Financial Information through June 2012

October 2012



University of Hawai'i
Office of Internal Audit

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I. Executive Summary

University of Hawai‘i at Mānoa (UHM) Athletics is the only National Collegiate Athletic Association (NCAA) Division I program in the State of Hawai‘i and is a current member of the Mountain West Conference for football and the Big West Conference for the majority of its other sports. The primary sports venues for UHM Athletics are Aloha Stadium, Stan Sheriff Center, Les Murakami Stadium, Rainbow Wahine Softball Stadium and the Duke Kahanamoku pool. Total operating expenses for the fiscal years ended June 30, 2012, 2011 and 2010 were \$33.8 million (unaudited), \$30.5 million and \$29.6 million respectively. The accumulated net deficit (excluding University of Hawai‘i Foundation accounts) as of June 30, 2012, 2011 and 2010 were \$11.3 million (unaudited), \$9.1 million, and \$9.6 million. As of June 30, 2012, UHM Athletics employed 116 full-time employees. Part-time and student employees were approximately 420. There were approximately 474 student-athletes and 232 scholarship equivalents during the 2012 academic year.

The University of Hawai‘i Office of Internal Audit (Internal Audit) performed a review of UHM Athletics pursuant to a request by the Acting UHM Athletics Director to the University of Hawai‘i Board of Regents. The Board of Regents chairman approved the request noting that Internal Audit would perform an agreed-upon procedures audit of the UHM Athletics Department. The audit would include reviewing the processes and testing of select transactions over cash receipts and cash disbursements from both University and University of Hawai‘i Foundation (UHF) accounts, travel disbursements, purchasing card disbursements and the issuance of complimentary tickets.

Internal Audit obtained the information contained in the accompanying report from a variety of sources including, but not limited to the following:

- meetings and discussions with University, UHM Athletics, and UHF personnel,
- reading of contracts and agreements,
- reading of University and UHM Athletics policies and procedures,
- reviewing correspondence and documentation (invoices, check request forms, purchase orders, etc.) supporting UHM Athletics transactions, and
- reading other pertinent documentation in addition to discussions with other individuals deemed relevant to this project.

The report is organized by the sections noted below. The specific procedures performed, observations/findings and recommendations (if any) are documented in further detail in the respective sections of the report and related exhibits. A condensed listing of Internal Audit’s observations and findings are noted below.

Cash receipts and disbursements for select UHM Athletics Accounts maintained by the University of Hawai‘i Foundation (UHF)

- Approximately 158 – 182 UHM Athletics Accounts were maintained at the UHF during the fiscal years ended June 30, 2012, 2011 and 2010.
- The UHM Athletics Director primarily used the following UHM Athletics Accounts for discretionary spending:
 - Athletic Director’s
 - Athletic Admin

- UH Athletic Fund
- Documentation supporting the intent and purpose of several contributions credited to these accounts were requested but not provided to Internal Audit.
- Effective March 1, 2012, UHF modified their policy with respect to expense reimbursements to Deans, Directors and Department Heads. This policy modification required the UHM Chancellor to approve expense reimbursements to the UHM Athletics Director. Subordinate approval for expense reimbursements to the UHM Athletics Director was sufficient prior to this date.
- The UHM Athletics Director was reimbursed for entertaining guests at higher priced establishments such as Alan Wong’s and Ruth Chris. The average cost per attendee was \$94 (median) and ranged from \$62 to \$126 per attendee. Approximately \$333 was excluded from an \$838 reimbursement claim (includes tip and taxes) for a July 2011 dinner for four (4) at Alan Wong’s.
- The business purpose and potential benefit to UHM Athletics of five (5) UHM Athletics administrative personnel attending the 2012 NCAA Final Four Basketball Tournament is questionable.

UHM Athletic Department cash disbursements

- After personnel costs, the significant portion of cash disbursements relate to travel costs (Panda Travel and travel advances/reimbursements to coaches).
- Purchases must be approved by one of the following:
 - UHM Athletics Director
 - Associate Athletics Director for Administrative Services
 - Associate Athletics Director and Senior Woman Administrator
- Fiscal Approving Authorities (Assistant Athletics Director for Business Operations and Administrative Assistant for Business Operations) have the responsibility to evaluate if the purchase is proper, legal and in compliance with University policies and procedures in addition to federal and State of Hawai‘i laws, rules and regulations.
- Coaches request and receive substantial travel advances (Internal Audit noted a travel advance that exceeded \$39,500).

Cash disbursements for travel costs incurred by UHM Athletics personnel

- The majority of excess travel advances reviewed was not repaid to the University within the 21 calendar days stipulated by University policy. Excess advances ranged from \$200 to \$13,000.
- An excess travel advance of approximately \$4,800 was outstanding in excess of one (1) year.
- An excess travel advance of \$4,700 was reported stolen from a coach’s office safe.
- On road trips, coaches distribute student athlete per diem in cash.
- The feasibility of providing travel credit cards to coaches and pre-loaded debit cards to student athletes should be researched.
- It was determined that the UHM Athletics Director was traveling approximately 30% of each year during the fiscal years ended June 30, 2012, 2011 and 2010.

Panda Travel contract and cash disbursements

- UHM Athletics and UHF payments to Panda Travel ranged from \$3.1 million to \$2.9 million for the fiscal years ended June 30, 2012 and 2011.
- Approximately 80% of the payments to Panda Travel relate to airfare.
- The contract with Panda Travel expired in September 2012. Through the procurement process, a new contract with Panda Travel was finalized with the contract term extended through September 2017.

Purchasing card (P-card) transactions

- UHM Athletics has nine (9) P-card holders.
- Aggregate P-card purchases for the fiscal years ended June 30, 2012 and 2011 ranged from \$147,000 to \$163,000.
- The most frequent purchases were sports equipment, supplies (janitorial and office) and cellular phone charges.
- No significant non-compliance matters were noted.

UHM Athletic Department cash receipts

- Cash is collected at the Stan Sheriff Center Ticket Office, UHM Athletics Business Office and UHM Athletics offices organizing sports camps.
- The Ticket Office prints and sells tickets for University related entities (e.g., Kennedy Theatre, Outreach College, etc.) typically for no charge (other than recovery of expenses). Written agreements supporting the terms and conditions of these services provided by the Ticket Office were requested but generally not provided to Internal Audit
- Non-University entities (e.g. Hawai‘i Bowl Foundation, Hawai‘i Community Foundation) may also request that the Ticket Office print tickets and manage ticket sales for events held both on and off campus. Internal Audit noted instances of services performed by the Ticket Office for non-University entities that lacked a written agreement. Internal Audit also reviewed written agreements with non-University entities documenting the Ticket Office’s services, but lacked the specific financial arrangements for the performance of these services.
- Internal Audit believes the lack of written agreements and clarity regarding Ticket Office services and the recovery of costs for these services are attributable to insufficient written policies and procedures.
- The prepayment of rent and estimated expenses requirement for the use of UHM Athletics facilities by non-University entities is generally not enforced and is not in compliance with University Administrative Procedure A1.200 and the UHM Athletics Department Manual. Rent and out-of-pocket expenses are determined by the respective facility manager and billed subsequent to the completion of the event.
- Internal Audit noted inconsistent treatment and handling of facility use arrangements (waiving of fees, billing and collection of rent and out-of-pocket expenses) in addition to non-compliance with existing policies and procedures.
- Regarding sports camps, cash receipts collected in excess of expenses are distributed to coaches as additional compensation.
- UHM Athletics processed check requests to transfer contributions from UHM Athletic accounts maintained at UHF to certain sports camp accounts (football, men’s volleyball,

men’s basketball). A substantial portion of the transferred amounts were distributed to coaches as additional compensation.

- UHM Athletics policy prohibits the waiving of camp registration fees. Internal Audit was informed that waivers may be provided for dependents of UHM Athletics department personnel. Evidence supporting the waiving of camp registration fees for 44 participants to a June 2012 football camp was requested but not provided to Internal Audit. In addition, evidence supporting the waiving of camp registration fees at other sport camps (December 2011 soccer and June 2012 men’s basketball) was requested but not provided to Internal Audit.

Complimentary game tickets

- Approximately 8,600 complimentary season tickets (estimated ticket value of \$1.3 million and AKA premium seat contribution of \$660,000) were issued annually during the fiscal years ended June 30, 2012, 2011 and 2010.
- A significant number of the complimentary season tickets are provided to Corporate Partners (approx. 4,400) and UHM Athletics employees (approx. 600) annually.
- Automobile dealerships providing “Courtesy Cars” also receive complimentary season tickets (approx. 600) annually. The UHM Athletics Director determines which coaches may receive Courtesy Cars. During fiscal years 2012 and 2011, 26 Courtesy Cars were provided to coaches and the UHM Athletics Director.
- UHM Athletics does not reconcile complimentary ticket approvals to tickets printed and issued by the Ticket Office.

The activities, operations and processes of UHM Athletics reviewed and discussed in the accompanying report was pursuant to the direction of the Board of Regents and the Acting UHM Athletics Director. The procedures performed by Internal Audit and related findings/observations and recommendations (if any) in connection with this review are contained within the accompanying report. Review procedures on other UHM Athletics activities, operations and processes were beyond the scope of this project.

II. UHM Athletics Accounts at the University of Hawai‘i Foundation (UHF):

A. Overview

The UHF is the central fundraising organization for the University of Hawai‘i system (University) providing a range of professional fundraising services to all 10 University campuses. The UHF is designated as a 501(c)(3) organization by the Internal Revenue Service and is a legally separate organization from the University.

‘Ahahui Koa Ānuenuē (AKA) is the recognized support club for UHM Athletics. AKA raises funds for scholarships, facilities, and serves as the umbrella organization for the individual booster programs. Booster programs provide financial and fan support to the UHM Athletics sport programs. These programs are composed of individuals who volunteer their time and efforts to enhance sport programs. The UHF accounts for all AKA and UHM Athletics’ booster programs donations and payments.

The following receipt, payment and UHF account process descriptions were provided by UHM Athletics personnel.

Receipts

UHM Athletics prepares a “Transmittal of Contribution” form for contributions (cash, goods or services) received that UHM Athletics determines should be deposited into an UHF account. The UHF prescribed “Transmittal of Contribution” form requires the University department receiving the contribution to document information such as the UHF account to be credited, donor name and address, value of the contribution and any applicable comments. The UHF account credited is determined by the donor’s letter or notations on the donor’s check. The “Transmittal of Contribution” form is signed by the Account Administrator (typically the UHM Athletics Director and/or Associate Athletics Director for Administrative Services or the Associated Athletics Director and Senior Woman Administrator, or respective head coach) of the respective UHF account. Signatures are also required of the Assistant Athletics Director for Business Operations, Associate Athletics Director for Administrative Services or the Associate Athletics Director and Senior Woman Administrator and AKA President to verify the purpose and proper UHF account coding of the contribution.

Payments

Payments are initiated with the preparation of a UHF check request form requiring information such as the payee, amount, UHF project number, object code (expense type), business purpose, etc. The check request form requires the signatures of the following UHM Athletics personnel:

- Requester
- Assistant Athletics Director for Business Operations
- Two of the following four Account Administrators:
 - UHM Athletics Director
 - Associate Athletics Director for Administrative Services
 - Associate Athletics Director and Senior Woman Administrator
 - Respective Head Coach

The AKA President also signs the check request and is responsible for verifying the business purpose and UHF account coding. Due to a change in UHF policy regarding Chancellor and Vice Chancellor approvals, effective March 1, 2012, the UHM Chancellor commenced approving check requests for payments made to the UHM Athletics Director. Previously, subordinate approval was sufficient for reimbursements to the UHM Athletics Director. Additionally, the UHM Chancellor is required to approve all Travel Request forms and Travel Completion reports submitted by the UHM Athletics Director. UHF requires that either an approved Travel Request form or Travel Completion report accompany all requests for travel disbursements. UHF management informed Internal Audit that a cursory review of the check request and supporting documents are performed by UHF personnel prior to check processing as UHF relies on the review and approvals of UHM Athletics Account Administrators listed above as well as the UHM Chancellor when applicable. UHF management also stated that questions to UHM Athletics’ personnel will arise if the account coding appears incorrect or if the documentation and/or explanation does not adequately support a check request. Payments should not be processed if the check request does not include all approvals.

UHF Account Monitoring

All UHM Athletics UHF Account Administrators (Athletics Director, Associate Athletics Directors, and head coaches) have online (read-only) access to their respective UHF account balances and transactions. They are responsible for reviewing and monitoring their accounts on a periodic basis. The Assistant Athletics Director for Business Operations has online (read-only) access to all UHM Athletics UHF account balances and transactions. On a quarterly basis, the Assistant Athletics Director for Business Operations reviews UHF “Project Fund Balances and Cash Available by Unit” reports (revenues, expenses, transfers, net assets and available cash) by UHM Athletics account.

At fiscal year end, UHF prepares a trial balance of all UHM Athletics UHF accounts to assist the Assistant Athletics Director for Business Operations prepare the UHM Athletics annual financial statements. The Assistant Athletics Director for Business Operations compares the UHF trial balance to UHM Athletics financial records to identify differences warranting further investigation.

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

- Donor correspondence supporting the intent and purpose of contributions credited to the Athletic’s Director and Athletic Admin accounts was requested but not provided to Internal Audit by UHM Athletics or UHF with the exception of Saake Foundation contributions.
- UHF check request and travel forms were generally signed and approved by authorized personnel. However, reimbursements to the UHM Athletics Director for non-travel related costs prior to March 1, 2012 only required the authorization of subordinates.
- Annual expense reimbursements to the UHM Athletics Director for the three years ended June 30, 2012 ranged from \$18,000 - \$28,000 (excludes airfare).
- The UHM Athletics Director’s entertainment expenses at higher priced establishments (e.g., Alan Wong’s, Ruth Chris) averaged \$94 (median) per attendee (ranged from \$62 to \$126).

- The food service establishment visited most frequently (35 occurrences) was the Pineapple Room. The cost per attendee was \$28 (median) and ranged from \$22 to \$39.
- The business purpose and potential benefit to UHM Athletics derived from five (5) UHM Athletics personnel attending the 2012 NCAA Final Four Basketball Tournament is questionable. University disbursements (UHF and UHM Athletics) associated with the 2012 NCAA Final Four and provided to Internal Audit amounted to \$17,700 (excludes airfare).

B. Review Procedures

The procedures, associated findings and observations are as follows:

UHM Athletics Accounts at UHF

1. Obtain a summary schedule from UHF documenting account information for all UHM Athletics Accounts maintained at UHF for the years ended June 30, 2012, 2011 and 2010. Account information should include account name and number, purpose, sport/office associated with the account and the coach/athletic administrator with oversight responsibility. Financial information should include beginning and end of year net assets in addition to aggregate revenues, expenses and transfers for the year.

Internal Audit obtained schedules from UHF summarizing the requested information for the fiscal years ended June 30, 2012, 2011 and 2010 noting that there are approximately 158 - 182 UHF accounts associated with UHM Athletics Accounts within those fiscal years. The following table summarizes the net assets, revenue, expense and transfer amounts (000’s) for these accounts for the fiscal years ended June 30, 2012, 2011 and 2010.

<i>Fiscal year ended</i>	<i>Net assets, beg. of year</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Transfers, net</i>	<i>Net assets, end of year</i>
<i>June 30, 2010</i>	<i>\$10,249</i>	<i>\$8,854</i>	<i>\$6,009</i>	<i>\$47</i>	<i>\$13,141</i>
<i>June 30, 2011</i>	<i>\$13,141</i>	<i>\$6,468</i>	<i>\$6,577</i>	<i>(\$15)</i>	<i>\$13,017</i>
<i>June 30, 2012</i>	<i>\$13,017</i>	<i>\$8,026</i>	<i>\$6,936</i>	<i>(\$44)</i>	<i>\$14,063</i>

Transactions associated with AKA, such as preferred seating, parking and student scholarships represent 40% to 64% of the total annual revenues and expenses in the above table.

UHM Athletics Director Discretionary Spending

2. Review the UHF summary schedule and perform inquiries of UHF and UHM Athletics personnel to identify the accounts used primarily by the UHM Athletics Director for discretionary spending. Obtain transaction listings from UHF supporting these accounts.

Internal Audit was informed by UHF and UHM personnel that the following accounts are primarily used by the UHM Athletics Director for discretionary spending purposes:

- *Athletic Director’s*
- *Athletic Admin*
- *UH Athletic Fund*

Internal Audit also reviewed the LA Golf Tournament Fund based on the purpose and description of the account. Table 1 presents a Schedule of Revenues and Expenses for these four accounts for the three years ended June 30, 2012.

**Table 1: Schedule of Revenues and Expenses for Select UHM Athletics UHF Accounts
For Fiscal Years Ended June 30, 2010 – 2012
(Unaudited)**

	<u>Athletic Director's</u>	<u>Athletic Admin</u>	<u>UH Athletic Fund</u>	<u>LA Golf Tournament Fund</u>
Revenues				
Cash contributions:				
Anheuser-Busch Sales of HI	\$ 50,000	\$ 100,000	\$ -	\$ -
Time Warner Cable	50,000	-	-	-
McDonalds of Hawai'i	60,000	-	-	-
Jack and Mami Takeda Fdn	10,000	-	30,000	-
Dr. Alvin & Monica Saake Fdn	87,500	-	-	-
Other	13,200	14,655	52,472	6,058
Total cash contributions	<u>270,700</u>	<u>114,655</u>	<u>82,472</u>	<u>6,058</u>
Special/Fundraising events	450	340,457 (a)	-	108,697
Pledge contributions	45	-	30,833	194
Miscellaneous	12,109	-	18,300	-
Total revenues	<u>283,304</u>	<u>455,112</u>	<u>131,605</u>	<u>114,949</u>
Expenses				
Fundraising event/expense	-	113,201	-	83,248
Travel	72,503	944	28,731	8,249
Protocol/business meetings	59,152	-	40,356	21
Other services	49,350	18,934	14,783	-
Expendable equipment	8,945	64,832	1,991	-
UHF gift fee	9,915	15,570	4,358	3,980
Consultant services	5,236	-	26,436	-
Taxes	-	15,320	-	4,891
Advertising, printing & postage	14,793	-	11,613	-
Receptions	7,454	-	3,107	-
Repairs, maintenance & supplies	7,075	9,500	2,332	22
Bad debt	15	-	9,353	144
Rentals	1,059	-	7,820	-
Training & registration fees	143	-	8,002	-
Mileage reimbursement/parking	360	4	179	-
Miscellaneous	934	2,935	1,226	580
Total expenses	<u>236,934</u>	<u>241,240</u>	<u>160,287</u>	<u>101,135</u>
Transfers (Out) / In				
Chica Y. Nagatani Memorial	-	(200,000) (b)	-	-
Football support group (Nā Koa)	-	(100,000) (c)	-	-
Nā Koa football quasi endowment	-	(60,000) (d)	-	-
Other	(17,500)	-	-	-
Total transfers	<u>(17,500)</u>	<u>(360,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>28,870</u>	<u>(146,128)</u>	<u>(28,682)</u>	<u>13,814</u>
Net assets at July 1, 2009	<u>16,348</u>	<u>206,653</u>	<u>51,749</u>	<u>688</u>
Net assets at June 30, 2012	<u>\$ 45,218</u>	<u>\$ 60,525</u>	<u>\$ 23,067</u>	<u>\$ 14,502</u>

- (a)** Primarily due to funds generated from the Centennial Celebration Gala held on December 2, 2009, which was a tribute to 100 years of University of Hawai'i football.
- (b)** Transfer of funds during fiscal year 2012 to the Chica Y. Nagatani Memorial fund for the renovation of the Nagatani Academic Center.
- (c)** Transfer of funds during fiscal year 2010 to Nā Koa from funds generated through the Centennial Celebration Gala.
- (d)** Transfer of funds for investment purposes to benefit Nā Koa.

Contributions

3. From the transactions listings supporting the Schedule of Revenues and Expenses, compare a judgmental sample of contributions to supporting documents.

For the sample of contributions noted below (Table 2), UHF provided check copies and/or UHF “Transmittal of Contribution” forms prepared and signed by UHM Athletics’ personnel (UHM Athletics Director, Assistant Athletics Director for Business Operations, and Associate Athletics Director for Administrative Services) and the AKA President. However, donor correspondence supporting the purpose and thus the account classification for the contribution was requested not provided by UHM Athletics or UHF for all transactions with the exception of Saake Foundation contributions. Accordingly, the propriety of the non-Saake Foundation contributions deposited to the UHF accounts described in Table 2 is questionable. The purpose included below was obtained primarily through discussions with UHM Athletics and AKA personnel.

Table 2: Contribution Sample Selection

<i>Fiscal Yr.</i>	<i>Donor</i>	<i>Amount</i>	<i>Purpose</i>
<i>Athletic Director's Account</i>			
2010	McDonald’s of Hawai‘i	\$40,000	Portion of contribution relates to the "Super Sac Big Mac" promotion - \$500 for every defensive quarterback sack
2010	Saake Foundation	25,000	According to the executed agreement, funds to be used at the Athletic Director's discretion (i.e., travel expenses, recognition and promotional activities, cultivation meals and activities, academic supplies and promotional items).
2011	Saake Foundation	40,000	See explanation above. NOTE: Internal Audit noted that the executed agreement was for \$25,000. No other documentation was provided to support the receipt of \$40,000.
2011	Time Warner Cable	50,000	As a result of a programming change, the November 6, 2010 Boise State football game that was included in the pay-per-view package was televised on ESPNU. Accordingly, customers were provided the option of obtaining a refund or donating the refund to the UHM Athletics scholarship fund. The \$50,000 results from customers donating their refund to UHM Athletics.
2012	McDonald’s of Hawai‘i	20,000	"Super Sac Big Mac" promotion (see explanation above).
2012	Saake Foundation	22,500	See explanation above.
2012	Anheuser-Busch Sales of Hawai‘i	50,000	"Get in the Game" promotion - \$0.25 for every case of Budweiser, Bud Light, Budweiser Select, and Bud Light Lime products sold in Hawai‘i during the promotion period
<i>Athletic Admin. Account</i>			
2010	Anheuser-Busch Sales of Hawai‘i	100,000	"Get in the Game" promotion (see explanation above)

Disbursements

4. Obtain a listing of disbursements from UHF accounts (Athletic Director’s, Athletic Admin, UH Athletic Fund) to the UHM Athletics Director for the fiscal years ended June 30, 2012, 2011, and 2010. Aggregate disbursements by expense category for each fiscal year.

The following is a summary of disbursements from the Athletic Director’s, Athletic Admin, UH Athletic Fund accounts to the UHM Athletics Director by expense category:

Table 3: Summary UHM Athletics Director Reimbursements

	<i>Fiscal Year</i>			<i>TOTAL</i>
	<i>2012</i>	<i>2011</i>	<i>2010</i>	
<i>Protocol/Business Meetings</i>	\$ 8,859	\$ 12,646	\$ 16,604	\$ 38,109
<i>Travel *</i>	11,616	5,225	10,755	27,596
<i>Personal Mileage/Parking</i>	84	193	154	431
<i>Other</i>	34	330	400	764
<i>TOTAL</i>	\$ 20,593	\$ 18,394	\$ 27,913	\$ 66,900

** Reimbursements for travel does not include airfare. The cost of airfare is paid directly to Panda Travel.*

Protocol/Business Meetings and Travel expenses pursuant to the Schedule of Revenues and Expenses (Table 1) primarily differ from the above table due to the following:

- *Protocol/Business meetings – Payments to Sodexo for providing food and beverages at UHM Athletics game receptions and ticket purchases to the Hawai‘i Bowl and UHM Athletic sports events at mainland venues (e.g., post-season tournaments).*
- *Travel - payments to Panda Travel (primarily for airfare) and travel costs incurred by UHM Athletics and AKA employees. During fiscal years 2012-2010, disbursements to Panda Travel from the Athletic’s Director and UH Athletic Fund accounts were approximately \$48,000.*

5. From the transaction listings supporting the Schedule of Revenues and Expenses (Table 1) and the listing of disbursements to the UHM Athletics Director, select a judgmental sample of cash disbursements and perform the following:
 - a. Review the UHF check request forms (evidences payment request and approval) for the following signatures in accordance with UHM Athletics policies and procedures:
 - i. Requestor
 - ii. Assistant Athletics Director for Business Operations
 - iii. Two Account Administrators
 - iv. AKA President
 - v. UHM Chancellor (for payments to the UHM Athletics Director on/after March 1, 2012)

- b. Review applicable documents supporting the cash disbursement by performing the following:
 - i. Compare the payee and cash disbursement amount from the UHF general ledger to original documents (invoices, sales slips, receipts, etc.) supporting the purchase or payment. For protocol/business meal reimbursements, determine that documentation includes the following: 1) venue, 2) date, 3) total/itemized cost, 4) name, title, and affiliation of person(s) in attendance and 5) business purpose.
 - ii. For travel and per diem payments to UHM Athletics employees, determine that appropriately approved and prepared travel documents (i.e., travel request form and/or completion report) support the disbursement.

Exhibits II-A, II-B, II-C notes disbursements to the UHM Athletics Director reviewed by Internal Audit. The following summarizes Internal Audit’s observations:

- *UHF check request forms were signed and approved by authorized personnel. However, authorized personnel prior to March 1, 2012 consisted solely of subordinates to the UHM Athletics Director.*
- *All disbursements related to travel were supported by a Travel Completion report.*
- *The UHM Chancellor approved all required travel forms. Meal and incidental per diem rates were reasonable based on the applicable federal allowable reimbursement rate for the respective location of travel and number of travel days.*
- *Documentation supporting protocol/business meals noted the 1) venue, 2) date, 3) total/itemized cost, 4) name, title, and affiliation of person(s) in attendance, and 5) business purpose. Internal Audit noted instances of missing original receipts resulting in the UHM Athletics Director preparing a “Missing Receipt Affidavit,” form approved by an Account Administrator (typically the Associate Athletics Director for Administrative Services).*
- *Frequent meals and/or cocktails only with certain attendees. The guest(s) and number of meal or cocktail only engagements are noted below:*
 - *Former UHM Athletics Director (w/ and w/o spouse) – 12 meal engagements*
 - *Executive Director of the Sheraton Hawai‘i Bowl – 7 meal engagements; 7 cocktails only*
 - *AKA President – 13 meal engagements; 11 cocktails only*
 - *Local Media (print, radio, television) individually or in groups – 26 meal engagements; 7 cocktails only*
- *The UHM Athletics Director spouse was present for 18 meals. The spouse of the UHM Athletics Director’s guest was also generally in attendance.*
- *Frequency of dinners and cocktails only at higher priced establishments. The establishment and number of dinner or cocktail only engagements are noted below:*
 - *Alan Wong’s - 8 dinner engagements*
 - *Ruth Chris – 8 dinner engagements; 1 cocktails only*
 - *Halekulani venues - 2 dinner engagements; 5 cocktails only**The cost per attendee for dinners was \$94 (median) and ranged from \$55 to \$126. The cost per attendee for cocktails only was \$36 (median) and ranged from \$8 to \$77.*
- *Approximately \$333 of an \$838 reimbursement claim for a July 8, 2011 dinner at Alan Wong’s (4 attendees) was excluded due to the excessive average meal cost per person*

(\$210/person). The \$333 deducted was related to various cocktails and a bottle of Opus One, tip of approximately 17% and general excise tax.

- The food service establishment visited most frequently (35 occurrences) was the Pineapple Room. The cost per attendee was \$28 (median) and ranged from \$22 to \$39.
- Chili’s (19 occurrences) was also a food service establishment visited frequently. The cost per attendee was \$18 (median) and ranged from \$11 to \$24. Attendees typically included coaches, other UHM Athletic and AKA employees, and sponsors.
- The documented business purpose of certain UHM Athletics personnel attending the 2012 NCAA Final Four Basketball Tournament was questionable. Internal Audit’s testing sample included approximately \$17,700 of costs paid by UHM Athletics and the UHF in connection with the 2012 NCAA Final Four. Internal Audit’s testing sample of costs incurred by the UHM Athletics Director and the Assistant Media Relations Director (2011 only) associated with the 2011 and 2010 NCAA Final Four approximated \$7,700 and \$7,900, respectively. In addition, Internal Audit’s review of certain Panda Travel invoices noted that an UHF account (UHM External Affairs) paid the airfare (\$623) for an Oceanic Cable executive to attend the 2011 NCAA Final Four.
- Mileage reimbursement claims at the maximum allowable federal rate on a vehicle* provided by a Hawai‘i-based car dealer at no charge (see “Courtesy Car” discussion in the Complimentary Ticket section).

**Note: Internal Audit was informed that mileage reimbursements are claimed on the Courtesy Car, which could result in possible income tax consequences.*

Exhibits II-D to II-G lists the sample of other payments or reimbursements reviewed by Internal Audit from the following UHF accounts:

- Athletic Director’s
- Athletic Admin
- UH Athletic Fund
- LA Golf Tournament Fund

The following summarizes Internal Audits observations of the payments or reimbursements noted at Exhibits II-D to II-G:

- UHF check request forms were generally signed and approved by authorized personnel. Internal Audit noted 2 instances where the disbursement support was signed by the UHM Athletics Director and the Associate Athletics Director for Administrative Services but not signed by the AKA President and the Assistant Athletics Director for Business Operations. No explanation for the lack of signatures was provided to Internal Audit.
- All disbursements related to travel were supported by either an appropriately approved Travel Request form and/or a Travel Completion report.
- Meal and incidental per diem rates were reasonable based on the applicable federal allowable reimbursement rate for the respective location of travel and number of travel days.
- The business purpose documented to justify the travel costs incurred by the manager of the Stan Sheriff Center to attend the November 6, 2010 football game against Boise State

University was as follows: “to observe game operation and facilities management at Boise State for possible implementation at UH sporting event and for possible future expansion of facilities.” Internal Audit questions whether observing a football game at Boise State’s outdoor stadium is relevant to managing the Stan Sheriff Center or future expansion of athletic facilities at UHM.

- *The UHM Athletics Director Administrative Assistant traveled with UHM Athletics sport teams 3 times during fiscal year 2012 and twice during fiscal year 2011. Although the business purpose is documented, it is unclear if the provided services are necessary and reasonable when compared to the number of travel days and corresponding costs. In addition, personal days were incorporated in all trips.*
- *Internal Audit was told that the purpose of the annual LA golf tournament is primarily to cultivate UHM Athletics supporters within the Los Angeles and Orange County areas. The golf tournament is typically held in conjunction with a UHM Athletics football game held in Southern California. The 15th annual and most recent LA golf tournament was held on Thursday, August 30, 2012 in the City of Industry, California in conjunction with the football game against the University of Southern California on Saturday, September 1, 2012. UHM Athletics and AKA personnel could not identify a significant donation or quantify contributions received in connection with the golf tournament.*

III. UHM Athletics Cash Disbursements:

A. Overview

Fiscal Approving Authority

In accordance with Administrative Policies A8.025 and A8.026, the UHM Athletics Director has the discretion to appoint individuals as the Fiscal Authority and or Assistant Fiscal Authority of UHM Athletics. Fiscal Authorities are granted approving authority for purchases made from select department accounts. They are responsible for ensuring compliance with applicable laws, regulations and policies with respect to fiscal matters and for ensuring that combined expenditures and encumbrances do not exceed available funds at any time.

Contractual Authority of the UHM Athletics Director

Pursuant to Executive Policy E8.106, the UHM Athletics Director, and his designees are authorized to execute contractual documents for procuring goods and services with moneys from the UHM Athletics Revolving Fund and for entering into cooperative agreements for UHM Athletics. This Executive Policy was suspended on July 12, 2012.

The following table (Table 4) lists the top five vendors and individuals (all coaches) receiving the highest dollar disbursements by fiscal year end derived from a UHM Athletics provided listing.

Table 4: Top Five Vendors and Individuals

Vendor	Fiscal Year (000's)	
	2012	2011
Panda Group/Panda Travel	\$2,945	\$2,693
University of Colorado	500	-
Western Athletic Conference	471	508
Brigham Young University (BYU)	353	-
Paciolan, Inc.	238	265
Univ. Nevada at Las Vegas (UNLV)	-	200
Bank of Hawai‘i	139	152

Individual	Fiscal Year (000's)	
	2012	2011
Greg McMackin	\$600	-
Bob Coolen	149	107
Carmyn James	114	114
Maureen Cole	81	-
Mike Trapasso	68	76
Victor Wales	-	77
Dana Takahara Dias	-	67

Disbursements to a significant number of these vendors and individuals were tested in this section of the report or the University Travel Disbursements section (**Section IV**).

Vendors

- Panda - travel related costs such as airfare, lodging, meals and ground transportation
- University of Colorado, BYU and UNLV – guarantee payments associated with football
- Western Athletic Conference – conference fees and dues, game officials, ticket purchase requirements for conference tournaments
- Paciolan, Inc. – computer services and ticket sale transaction fees
- Bank of Hawai‘i – merchant fees associated with ticket sales

Individuals

- Greg McMackin – football contract buyout paid in December 2011
- All others – primarily relates to travel advances and reimbursements

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

- All purchase (purchase order, contract, etc.) and payment authorization forms were signed by authorized personnel in accordance with UHM Athletics and University policies and procedures and accompanied by supporting documents such as an invoice.
- Internal Audit noted instances of travel completion reports prepared 2 – 4 months after the travel return date. According to University Administrative Procedure A8.851, section 3.c, the traveler must reimburse the University if travel advances exceed claimed expenses within 21 calendar days from the end date of the trip.
- For a cancelled trip, Internal Audit noted the travel completion report prepared 2 months after the anticipated date of return. University Administrative Procedures A8.851, section 8.d states that the travel advance must be immediately returned in the event that a trip is cancelled or indefinitely postponed.
- A requisition for hotel rooms for prospective student-athletes was approved subsequent to the hotel stay dates.

B. Review Procedures

The procedures, associated findings and observations are as follows:

Fiscal Approving Authority

1. Obtain a listing from the Office of Procurement and Real Property Management (OPRPM) of UHM Athletics personnel with fiscal approving authority during the two years ended June 30, 2012.

OPRPM informed Internal Audit that the following UHM Athletics personnel had fiscal approving authority during the two years ended June 30, 2012:

- *Assistant Athletics Director for Business Operations*
- *Administrative Assistant for Business Operations*

2. Determine if the work experience and job function of the personnel are appropriate for fiscal approving authority purposes.

The Assistant Athletics Director for Business Operations has held this position since 2004 and was previously employed by the Honolulu office of PriceWaterhouse Coopers, LLP (PWC).

The Administrative Assistant for Business Operations has held this position since 1994 and was previously employed by an insurance company located in Hawai‘i. Internal Audit believes that it is appropriate for these two individuals to possess fiscal approving authority.

Fiscal approving authority for the Assistant Athletics Director for Business Operations and the Administrative Assistant for Business Operations is limited to \$25,000 and \$5,000, respectively. The UHM Athletics Director or his designees (Associate Athletics Director for Administrative Services and Associate Athletics Director and Senior Woman Administrator) approved all contractual commitments and payments in excess of \$25,000 pursuant to E8.106. As a result of the suspension of E8.106:

- *all transactions in excess of \$25,000 now require the approval of OPRPM and*
- *disbursements in excess of \$10,000 require the approval of the Acting UHM Athletics Director.*

Cash Disbursement Process

3. Obtain documentation from UHM Athletics personnel describing their cash disbursement process and related internal controls.

A narrative describing the UHM Athletics cash disbursement process and related internal controls was prepared by the Assistant Athletic Director for Business Operations noting that all UHM Athletics purchases must be approved by one of the following:

- *Athletics Director*
- *Associate Athletics Director for Administrative Services*
- *Associate Athletics Director and Senior Woman Administrator*

Prior to approval, UHM Athletics personnel with Fiscal Approving Authority must evaluate whether the purchase is proper, legal, and in compliance with all Federal and State laws, rules, and regulations and University policies and procedures. The Fiscal Approving Authority must also determine the availability of funds for the purchase.

The cash disbursement process is initiated by UHM Athletics personnel verifying the receipt of goods or performance of services pursuant to the approved purchase order or contract by signing and dating the receiving report (for purchase orders) or the FMIS 41 form (for contracts). Cash disbursements for properly approved purchase orders require a

signed receiving report and the approval of the Assistant Athletics Director for Business Operations.

Cash disbursements for non-purchase order or contract payments such as travel expenses (Travel Request and Travel Completion forms), student-athlete stipends (Student Scholarship/Grant/Loan Payment Request form), and utilities and reimbursements (Authorization for Payment form) are initiated by UHM Athletics personnel responsible for the purchase or requesting reimbursement. All non-purchase order cash disbursements are approved by the Assistant Athletic Director for Business Operations and one or a combination of UHM Athletics management (UHM Athletics Director and Associate Athletics Directors) personnel.

UHM Athletics fiscal personnel will create a payment request package (consisting of documents such as the receiving report, travel forms, or authorization for payment form, and an original invoice) to authorize payment. The payment request package will be submitted to the University’s Disbursing Office for check preparation pursuant to the University’s standard disbursing policies and procedures.

Annual Budget

From March through July, the UHM Athletics Director, Associate Athletics Director for Administrative Services and the Assistant Athletics Director for Business Operations consult and prepare an UH Athletics budget for the next academic year. Historical information, economic factors, upcoming opponents, and any additional information that may affect revenues and/or expenses are used to prepare the budget.

The Associate Athletics Director for Administrative Services and the Assistant Athletics Director for Business Operations meet with each UHM Athletics operating unit supervisor and head coach to discuss their respective budgets by revenue and/or expense type. The Assistant Athletics Director for Business Operations forwards the budgets by operating unit and sport to the UHM Athletics Director for approval. Once approved, the budgets are distributed to the UHM Athletics operating unit supervisors and head coaches in addition to the University President and UHM Chancellor. Any revisions require the approval of the UHM Athletics Director.

Monthly Budget to Actual Review

The Assistant Athletics Director for Business Operations prepares and distributes monthly reports to the UHM Athletics Director and the Associate Athletics Director for Administrative Services comparing and analyzing actual revenues and expenses to budgeted revenues by category (e.g., ticket sales by sports, corporate partnerships, etc.) and expenses by sport and UHM Athletics operating unit. If warranted, the Associate Athletics Director for Administrative Services and/or the Assistant Athletics Director for Business Operations will discuss and document explanations received from operating unit supervisors and head coaches for significant and/or unexpected variances for purposes of determining if budget revisions or corrective action is warranted.

Internal Audit selected the following months during fiscal year 2012 and obtained the monthly revenues and expenses reports from the Assistant Athletics Director for Business Operations:

- *November 2011*
- *February 2012*
- *May 2012*

Internal Audit noted the completion of the monthly revenue reports by revenue type and monthly expenses reports by operating unit and sport and further noted that the reports contained documentation evidencing review of actual to budgeted revenues and expenses performed by the Assistant Athletics Director for Business Operations. Internal Audit also noted documentation supporting budget revisions primarily related to ticket sales and personnel changes.

4. Obtain a listing from UHM Athletics of non-payroll cash disbursements for each year during the two years ended June 30, 2012 and judgmentally select a sample of disbursements for testing. Review applicable documents supporting the disbursement and perform the following:
 - a. Review for proper approvals:
 - i. Funds availability and compliance with University and UHM Athletics policies is performed by either the:
 - Assistant Athletics Director for Business Operations or
 - Administrative Assistant for Business Operations
 - ii. Authorization from one of the following evidences payment approval:
 - Associate Athletics Director for Administrative Services,
 - Associate Athletics Director and Senior Woman Administrator, or
 - OPRPM
 - b. Review applicable documents supporting the cash disbursement by performing the following.
 - i. Compare the purchase amount and payee from FMIS (the University's general ledger) to the documents supporting the purchase or payment such as invoices, sales slips, receipts, requisitions, and purchase orders.
 - ii. Examine the receipt or receiving report for signature or acknowledgment by the authorized recipient in addition to unauthorized alterations of the receipt.
 - iii. Verify that the purchase was allocated to the appropriate UHM Athletics account code in FMIS.

The sample of disbursements tested are noted at Exhibit III-A. The following summarizes Internal Audit's observations:

- *All purchase (purchase order, contract, etc.) and payment authorization forms were signed by authorized personnel in accordance with UHM Athletics and University*

policies and procedures and accompanied by supporting documents, such as an invoice.

- *Despite the cancellation of the trip, a travel completion report was not prepared and travel advance was not repaid until 2 months after the anticipated date of return. A8.851 Section 8.d states that the travel advance must be immediately returned in the event that a trip is cancelled or indefinitely postponed. (Check date: 3/17/11; Payee: Neal M Iwamoto; Amount: \$420)*
- *A travel completion report for a travel request/advance was not prepared until 4 months after the date of return. (Check date: 1/3/11; Payee: Gibson Kirk Arnold; Amount: \$6,540.50)*
- *A requisition for hotel rooms for prospective student athletes was approved subsequent to the hotel stay dates. (Check date: 1/6/11; Payee: Outrigger Hotels & Resorts; Amount: \$3,723.06)*

IV. University Travel Disbursements to UHM Athletics Personnel

A. Overview

The University’s travel policy is documented in Administrative Procedure A8.851 (Employee Out-of-State and Intra-State Travel). The following summarizes certain guidelines noted in A8.851:

- Applies to all University employees.
- All travel must be approved prior to departure and before any expenses are incurred using a Travel Request form.
- Expenses must be substantiated with a detailed record, such as an original itemized receipt.
- Travel advances may be requested to cover estimated expenses prior to a trip on the Travel Request form.
- A Travel Completion report accounting for all expenses and advances must be prepared for each trip and is due within 21 calendar days from the end date of the trip. After 60 days, the University may, under IRS regulations, report the travel advance as income to the traveler if the Travel Completion is not submitted.
- The traveler must reimburse the University if travel advances exceed claimed expenses within 21 calendar days from the end date of the trip.
- Per diem rates are established by law or applicable collective bargaining unit contract to account for all travel and expenses and to compute amounts either due to or due from the traveler.

The UHM Athletics Assistant Athletic Director for Business Operations has created a checklist to assist UHM Athletics personnel comply with the provisions of A8.851, as well as NCAA regulations (Exhibit IV-A). The UHM Athletics Director of Compliance/Eligibility reviews travel itineraries, team travel lists, and off-campus recruiting summary reports for NCAA compliance purposes if the travel disbursement relates to athletic team travel. Travel Request forms and Travel Completion reports are reviewed and signed by the Assistant Athletics Director for Business Operations, and either the Associate Athletics Director for Administrative Services or the Associate Athletics Director and Senior Woman Administrator. Travel Request forms and Travel Completion reports associated with the UHM Athletics Director are signed by the UHM Chancellor. Similar approvals are required for travel expenses paid by UHM Athletics’ accounts maintained at the UHF.

Internal Audit was told by UHM Athletics management personnel that airfare is arranged by Panda Travel (See **Section V** for procedures performed on the Panda Travel contract). Other travel expenses (lodging, ground transportation, etc.) may be arranged by Panda Travel but are typically managed by the traveler (UHM Athletics administrator, head coach or assistant coach). Accordingly, the UHM Athletics traveler may request a travel advance for expenses such as lodging, ground transportation, gasoline, baggage fees, and per diems on the Travel Request form. Generally, the per diem for student-athletes is \$30 per day for overnight in-state travel and \$36 per day for out-of state travel. Internal Audit was also told that coaches will request and receive a cash advance for the trip’s estimated cumulative per diem and distribute cash to the student-athletes. Student-athletes sign a document acknowledging receipt of their

cash per diem. UHM Athletics does not have a policy regarding distributing per diem on a daily or a cumulative basis.

According to UHM Athletics management personnel, a listing of travel and related costs related to events other than UHM Athletics team road games (e.g., regional or national tournaments such as the NCAA Men’s Basketball Tournament, national coaches meetings, etc.) is not maintained or readily identifiable. In general, travel expenses of this nature would be paid for with UHM Athletics funds maintained at UHF.

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

- UHM Athletics coaches request and receive substantial travel advances for team travel. The majority of excess (advances greater than claimed expenses) travel advances reviewed was not repaid within the 21 calendar days as required by University policy. A significant portion of the travel advances relate to per diem advances. Internal Audit was told that coaches distribute student athletes per diem in cash on road trips to cover meals and incidentals. Internal Audit was also informed that coaches receive a University check in their name for the total travel advance and may distribute the student athlete’s per diem at any time.
- Of the travel advances reviewed, advances in excess of claimed expenses ranged from \$200 - \$13,000.
- For purposes of decreasing the significant amount of travel advances, limit the need to carry large amounts of cash and decrease the number of days that excess travel advances remain outstanding, UHM Athletics should consider the following:
 - Require coaches to plan their road trip itinerary with sufficient lead time to allow payment with a purchase order thereby limiting the amount of travel advances associated with travel expenses such as lodging and ground transportation.
 - Consult with OPRPM to evaluate the feasibility of obtaining pre-loaded debit cards with specified dollar amounts to cover student-athletes per diem.
 - Consult with OPRPM to evaluate the feasibility of coaches obtaining travel credit cards or traveler’s checks with the requirement that these instruments may only be used for UHM Athletics’ travel expenses.
- With respect to travel by the UHM Athletics Director, it was determined that the UHM Athletics Director was traveling approximately 30% of each year during fiscal years 2012, 2011 and 2010. Travel costs were paid by either the University or UHF.

B. Review Procedures

The procedures, associated findings and observations are as follows:

Travel Disbursements (Advances)

1. Obtain a listing of travel disbursements to UHM Athletics personnel (including travel advances) from UHM Athletics fiscal personnel for the three years ended June 30, 2012. Obtain and read the University’s travel policy in addition to the UHM Athletics travel

policies and procedures checklist.

The Assistant Athletics Director for Business Operations provided Internal Audit with listings of travel disbursements (including travel advances) to UHM Athletics personnel for the years ended June 30, 2012, 2011 and 2010. Travel disbursements pursuant to these listings for the years ended June 30, 2012, 2011 and 2010 amounted to \$1.4 million, \$1.4 million and \$1.5 million respectively. Internal Audit selected a judgmental sample of travel disbursements to test (see procedure #2 below).

Internal Audit read the University’s travel policy and the UHM Athletics travel policies and procedures checklist noting that compliance with the UHM Athletics checklist should result in compliance with University policy.

2. For a judgmental sample of travel disbursements for the three years ended June 30, 2012, review applicable documents (including business purpose) supporting the disbursement (advance or reimbursement) and perform the following:
 - a. Review the Travel Request form for the following signatures:
 - i. Traveler
 - ii. Assistant Athletics Director for Business Operations
 - iii. Associate Athletics Director for Administrative Services or the Associate Athletics Director and Senior Woman Administrator
 - iv. UHM Chancellor (if the traveler was the UHM Athletics Director)
 - b. If the disbursement relates to team travel, obtain the Team Travel Squad List and review for approval by the respective Head Coach and the Director of Compliance/Eligibility for NCAA compliance purposes.
 - c. If the disbursement relates to recruiting, obtain the Off-Campus Recruiting Summary and review for approval by the Director of Compliance/Eligibility pursuant to UHM Athletics policy.
 - d. Review the Travel Completion report for the same signatures (see step “a” above) required for the Travel Request form.
 - e. Agree receipts and other documents supporting the travel disbursement to the Travel Completion report noting the amount, date, business purpose, etc.
 - f. Review the per diem paid to the traveler for reasonableness and the amount owed to student athletes based on the appropriate rates. Review the signatures of student-athletes certifying receipt of their per diem and compare names of student-athletes to the approved Team Travel Squad List.
 - g. If the travel advance exceeds claimed travel costs, agree the excess amount per the Travel Completion form to documentation issued by UHM Athletics staff. Note the travelers’ repayment date and agree the repayment to FMIS.

The disbursements selected for testing are noted in Exhibit IV-B. As a result of the testing performed, Internal Audit noted the following:

- *The Travel Request forms and Travel Completion reports were signed by UHM Associate and/or Assistant Athletics Directors in accordance with the UHM Athletics travel policies and procedures checklist.*
- *Inconsistent evidence of approval by the Director of Compliance/Eligibility.*

In addition, the following observations were noted:

- *Internal Audit noted no travel advances or reimbursements related to airfare.*
- *Approximately 86% of the disbursements were travel advances. Aggregate travel advances amounted to \$466,000, while claimed expenses amounted to \$408,000. A substantial portion of the travel advances (\$208,000) were per diem cash advances.*
- *Travel advances exceeded claimed expenses for approximately 50% of the travel advances reviewed, primarily resulting from the over-estimation of lodging and ground transportation expenses. Excess advances ranged from \$200 to \$13,000.*
- *Approximately 78% of the excess travel advances were not repaid within the required 21 calendar days after the end date of the trip, including an excess travel advance of \$4,700 that was reported stolen from an office safe. Three of the excess travel advances were repaid more than 60 calendar days after the end date of the trip.*
- *University Administrative Procedures do not specify the maximum number of days prior to the start date of travel that a travel advance may be received. A8.851 requires Travel Advance requests be submitted to the University Disbursing Office at least 10 working days prior to the date of travel. Internal Audit noted that the reviewed travel advance checks were dated less than 14 working days prior to the date of travel.*

UHM Athletics Director Travel

3. Obtain a listing of all travel (paid by both University and UHF accounts) by the UHM Athletics Director containing the following information for fiscal years ended June 30, 2012, 2011, and 2010 and summarize the results:

- Travel expense
- Number of trips
- Number of travel days (calendar and business)

The Assistant Athletics Director for Business Operations provided Internal Audit with a download of the UHM Athletics Director’s travel completion reports from the University’s etravel website for the fiscal years ended June 30, 2012, 2011, and 2010. Internal Audit determined the following from the travel completion reports:

Table 5: Travel Summary of UHM Athletics Director

Fiscal Year	Travel Expense	Number of Trips	Travel Days	Business Days on Travel
2012	\$44,842	28	120	80
2011	35,736	25	114	76
2010	36,726	21	122	83

The following summarizes the most common business purpose documented on the Travel Completion Reports:

- *Attend UHM Athletics sporting events.*
- *Host and/or attend fundraising, public relations, or hospitality functions (e.g., pregame/postgame football functions held for UHM Athletics supporters/donors).*
- *Attend business conferences and meetings (e.g., WAC administrator meeting, NCAA convention),*
- *Host auction winner(s) (Murphy’s Pigskin Pigout) at the NCAA Final Four basketball tournament.*

Based on discussion with the Assistant Athletics Director for Business Operations and testing of travel disbursements and UHF disbursements, Internal Audit noted that trips were primarily paid from University funds when travel was associated with a UHM Athletics sporting event and paid from UHF funds if travel was primarily due to conference, fundraising or public relation functions.

V. Panda Travel

A. Overview

Panda Travel is the contracted travel provider of UHM Athletics. Effective July 1, 2012, UHM’s athletic conference affiliations changed from the Western Athletic Conference to the Mountain West Conference (MWC) for football and the Big West Conference (BWC) for most other sports. A condition of the MWC and BWC accepting UHM was UHM’s agreement to pay travel subsidies to conference members traveling to Hawai‘i.

Payments to Panda for the years ended June 30, 2012 and 2011 are as follows (000’s):

Table 6: Payments to Panda Travel

Payor	Fiscal Year	
	2012	2011
UHM Athletics	\$2,945	\$2,693
UHF	169	176
Total	<u>\$3,114</u>	<u>\$2,869</u>

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

- Payments to Panda Travel during fiscal years 2012 and 2011 primarily relate to airfare (approximately 80% of all payments).
- Airfare and lodging rates charged by Panda Travel appear reasonable.
- Panda is not a named party in the MWC and BWC agreements providing travel services to visiting conference opponents.

B. Review Procedures

The procedures, associated findings and observations are as follows:

Contract

1. Review the contract between the University and Panda Travel. Determine if Panda Travel has complied with the terms and conditions of the contract.

Internal Audit was informed that Panda was awarded the UHM Athletics travel contract pursuant to a Request for Proposal (RFP) process. The Panda contract reviewed expired in September 2012. Internal Audit was subsequently informed by the Assistant Athletics Director for Business Operations that the contract was re-awarded to Panda through September 2017 and that the terms remained relatively consistent with the prior contract. The following summarizes the terms and conditions of the contract effective through September 2012:

- *Commenced on September 1, 2007 for an initial three year period. The contract was extended for an additional two years without rebidding pursuant to the terms of the contract.*
- *UHM Athletics provides Panda office space (including utilities and custodial services) at no charge*
- *Panda guarantees that UHM Athletics is given the lowest airfare unless the provision is waived in writing by the UHM Athletics Director. Panda charges a transaction fee of \$15 per airline ticket.*
- *Panda shall exert every effort to ensure that UHM Athletics is given the lowest rate for hotel accommodations when compared to similar hotels and the lowest rate for ground transportation when compared to similar companies. Hotel accommodations include overnight stays for the football team and coaching staff prior to each home game. Panda charges no transaction fees for hotel and ground transportation.*
- *Panda shall provide to each traveler and UHM Athletics a written trip itinerary.*
- *Panda’s invoices related to airfare are to be accompanied with a computer printout that includes the following:*
 - *Traveler name*
 - *Airline, flight number, origin and destination points*
 - *Date and time of travel*
 - *Full fare of tickets issued*
 - *Other fares available for comparable flights (within two hours either way of flight taken)*
 - *Dollar value of discount off the published fare that UHM Athletics received for each ticket issued*

Internal Audit noted the following resulting from transaction testing and discussions with the Assistant Athletics Director for Business Operations and the Associate Athletics Director for Administrative Services:

- *Panda arranges airfare for all sports teams.*
- *Internal Audit noted no travel advances or reimbursements related to airfare in connection with our testing of travel disbursements.*
- *Panda arranges for hotel and ground transportation for the football team. However, other sports teams generally arrange for their own hotel and ground transportation as evidenced by the significant travel advances paid to UHM Athletics coaches (see **Section IV. University Travel Disbursements to UHM Athletics Personnel**). Internal Audit was told that coaches believe that they obtain lower rates when compared to the Panda offered rates (Evidence supporting this assertion was not provided to Internal Audit. However, the Assistant Athletics Director for Business Operations and the Associate Athletics Director for Administrative Service informed Internal Audit that they review the daily hotel room rate for reasonableness prior to processing the coaches travel forms.)*
- *Computer printouts supporting Panda’s guarantee of providing the lowest available airfare is not provided with the invoice in accordance with the contract; however, we understand that the printouts are provided upon request.*

Mountain West and Big West Travel Subsidies

2. Review the MWC and BWC agreements to understand UHM Athletics commitment to travel subsidies. Determine if Panda or other travel industry entities are assisting UHM Athletics with this commitment.

Internal Audit reviewed the MWC and BWC agreements provided by UHM Athletics noting the following with respect to travel costs:

MWC

For the 2012-13 academic year, the University shall reimburse each in-bound MWC football team travel costs with a maximum of \$150,000 for each California school and \$175,000 for schools outside of California. The reimbursement amounts will be adjusted annually based on a mutually agreeable national index.

BWC

The University provides the following travel cost sharing options to each in-bound BWC team:

- *\$500 per visiting team member (maximum members by sport are defined in the agreement)*
- *Airline tickets for each visiting team member purchased by the University through its contracted travel agency (travel must be booked a minimum of 30 days in advance of travel)*

These travel cost sharing options are effective for the 2012-13 and 2013-14 academic years and may be adjusted by mutual agreement.

Based on the noted terms of the MWC and BWC agreements, visiting conference teams are not obligated to use the services of Panda.

Payments to Panda

3. Select a judgmental sample of Panda invoices for testing during the three years ended June 30, 2012.

See UHM Athletics cash disbursements testing (Section III) for the sample of Panda invoices selected for testing. The following pricing information result from the Panda invoices reviewed:

- *Trans-Pacific roundtrip air fare ranged from \$559 to \$1,345:*
 - *California - \$559 and \$635*
 - *Louisiana - \$1,149*
 - *North Carolina - \$1,345.*
- *Charter airfare within the contiguous U.S.- \$703 to \$710*
- *Double occupancy daily room rates ranged from \$62 to \$147:*
 - *Las Vegas, NV - \$62*
 - *Park Ridge, NJ - \$104*

- *Westminster, CO - \$111*
- *Waikiki, HI - \$147*
- *Daily ground transportation cost ranged from \$913 to \$1,416:*
 - *El Paso, TX. - \$913*
 - *Missoula, MT - \$922*
 - *Ruston, LA. - \$1,416*

Internal Audit was told that individual travelers keep all airline miles earned.

VI. Purchasing Card

A. Background

The purchasing card (P-card) is a procurement tool that provides an alternative to the existing University procurement processes. The ceiling for individual P-card transactions is generally \$2,500. Accordingly, purchases under \$2,500 may be accomplished more efficiently and effectively through the P-card process rather than the more time consuming purchase order procurement process. Each participating University school or department, such as the UHM Athletics manages their own P-card operation.

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

- UHM Athletics most frequently uses P-cards to purchase sports equipment, janitorial and office supplies, and pay for cellular phone charges.
- Insignificant compliance exception related to an unsigned purchase transaction log.
- OPRPM informed Internal Audit that they were unaware of any instances of non-compliance.

B. Review Procedures

The procedures, associated findings and observations are as follows:

Cardholders

1. Obtain or prepare a listing of all UHM Athletics P-card holders and related purchases during the two years ended June 30, 2012. Confirm the completeness of P-card holders with OPRPM.

Internal Audit prepared the following list (Table 7) of UHM Athletics P-card holders and cumulative purchases for each of the two years ended June 30, 2012 from the First Hawaiian Bank (FHB) Pro Value Services (PVS) Net System (internet reporting system that allows users to review and reconcile P-card transactions online). OPRPM confirmed the completeness of the UHM Athletics P-card holders list.

Table 7: P-card Holders

<i>Cardholder</i>	<i>Responsible Area</i>	<i>Fiscal Year</i>		<i>Total</i>
		<i>2012</i>	<i>2011</i>	
<i>Alan Ginoza</i>	<i>Assistant Equipment Manager</i>	\$ 56,739	\$ 45,968	\$ 102,707
<i>Bianca Tokumoto</i>	<i>Football Operations</i>	4,804	7,443	12,247
<i>Donna Lee Tengan</i>	<i>Associate Ticket Manager</i>	13,998	12,347	26,345
<i>Eric Okasaki</i>	<i>Head Athletic Trainer</i>	7,446	2,155	9,601
<i>Gale Yamase</i>	<i>Administrative Assistant</i>	33,712	14,463	48,175
<i>Glenn Nakaya</i>	<i>Stadium Manager</i>	2,243	5,489	7,732
<i>Kyle Tengan</i>	<i>Makai Campus Coordinator</i>	17,702	17,541	35,243
<i>Richard Sheriff</i>	<i>Arena Manager</i>	16,244	27,324	43,568
<i>Troy Yamamoto</i>	<i>Internet Specialist</i>	10,241	14,117	24,358
<i>Total</i>		<u>\$ 163,129</u>	<u>\$ 146,847</u>	<u>\$ 309,976</u>

Purchases

2. Obtain a listing of all purchases by P-card holder (identified in Table 7) for each of the two years ended June 30, 2012. Perform the following for the 10 highest dollar and 5 additional purchases for each fiscal year (total of 30 purchases).
 - a. Compare the purchase amount and payee from the University’s accounting ledgers to the documents supporting the purchase (e.g., original invoice, sales slip, receipt, etc.).
 - b. Verify that the purchase was for items in compliance with University policies.
 - c. Review documentation to determine that appropriate approvals were obtained.
 - d. Examine the receipt for signature or acknowledgment by the P-card holder in addition to unauthorized alterations of the receipt.
 - e. Compare the University’s accounting ledgers and receipts to the respective P-card holders’ monthly FHB P-card statement.

Table 8: P-card Transaction Sample

No.	Date	Vendor	Amount	Cardholder	Description of Purchase
1	07/17/10	Newegg, Inc.	\$ 2,206.84	Bianca Tokumoto	Computer supplies
2	07/29/10	Baudville, Inc	2,499.00	Richard C Sheriff	ID Maker printer
3	08/11/10	Von Kenric Brushes	2,359.79	Kyle N Tengan	Janitor supplies
4	08/30/10	Best Buy	2,408.29	Gale E Yamase	4 laptop computers for Nagatani Center
5	09/09/10	NACDA & Affiliates	1,750.00	Gale E Yamase	Nat'l Association of Collegiate Directors of Athletics dues
6	09/16/10	B Hayman Co Hawaii Ltd	1,083.77	Glenn H Nakaya	Field magnet to remove metal materials from playing surface.
7	09/28/10	Sports Line	2,601.34	Alan I Ginoza	Basketballs for Men's Basketball and name plates for Football A
8	09/30/10	Island Plastic Bags	1,869.51	Richard C Sheriff	Trash bags for Stan Sheriff Center
9	11/11/10	Riddell All American	2,100.43	Alan I Ginoza	Shoulder pads
10	12/01/10	Power Plus Intl	2,063.87	Alan I Ginoza	Men's basketball jerseys, shorts, sweats, jackets B
11	12/01/10	Division X Inc	1,794.00	Richard C Sheriff	Dispenser replacements for Stan Sheriff Center restrooms
12	12/20/10	Happy Shirts Mail Order	1,377.48	Alan I Ginoza	Embroidery of H logo for football
13	02/03/11	PACnet Conference	2,122.50	Donna Lee N Tengan	Paciolan PACnet '11 conference
14	04/15/11	Best Buy	2,314.08	Troy T Yamamoto	Laptop computers
15	05/19/11	Compubizent	2,030.70	Gale E Yamase	HP Laser Jet P4515X printer
16	07/13/11	SYX TigerDirect.com	2,070.86	Bianca Tokumoto	14 portable hard drives
17	07/27/11	Conrad Enterprises, Inc	2,220.63	Kyle N Tengan	Shower soap
18	08/12/11	Pittsburgh Paints	2,495.81	Kyle N Tengan	Field paint
19	08/24/11	Douglas Pads & Sports	1,997.84	Alan I Ginoza	Various football equipment
20	09/28/11	Riddell All American	1,822.93	Alan I Ginoza	Various football equipment
21	09/28/11	Cam Security Inc	2,316.23	Donna Lee N Tengan	Security equipment
22	10/18/11	Best Buy	1,607.30	Troy T Yamamoto	Laptop and protection plan
23	10/25/11	Island Plastic Bags	2,083.21	Richard C Sheriff	Trash bags for Stan Sheriff Center C
24	10/26/11	Sprint Wireless	2,131.81	Gale E Yamase	Wireless service - various
25	11/03/11	FILCON	2,499.00	Alan I Ginoza	Football tackling dummies
26	12/01/11	Pacific Corporate Solutions	1,701.57	Eric M Okasaki	Removal and disposal of portable X-ray unit, delivery of new X-ray unit to Stan Sheriff Center
27	02/08/12	UH Mānoa Bookstore	2,264.35	Troy T Yamamoto	Laptop and toner
28	02/09/12	Sports Line	1,871.52	Alan I Ginoza	Compression shorts for football
29	03/15/12	Rogers Athletic Company	2,149.00	Alan I Ginoza	5-man practice chute for football C
30	03/27/12	Island Plastic Bags	1,968.69	Richard C Sheriff	Trash bags for Stan Sheriff Center

No exceptions were noted except for the following:

- A. Two separate payments to the vendor exceeded the \$2,500 threshold (parceling). The Assistant Athletics Director for Business Operations informed Internal Audit that the purchases were unrelated orders for two different sports and accordingly was not an instance of parceling. Internal Audit concurs with the explanation.*
- B. The transaction log was not signed by the Approving Authority (the Associate Athletics Director) and the Fiscal Approving Authority (the Assistant Athletics Director for Business Operations). The Assistant Athletics Director for Business Operations informed Internal Audit that that the transaction log was not signed due to missing receipts for other transactions included on the transaction log. The receipt for the tested transaction supported the purchase without exception. The Assistant Athletics Director for Business Operations informed Internal Audit that all goods documented on this transaction log were received by UHM Athletics.*
- C. UHM Athletics was unable to locate the FHB P-card statement.*

Compliance

3. Reconcile total P-card transactions for fiscal years 2012 and 2011 by FHB P-card statement to the University’s accounting ledgers. Evaluate the propriety of reconciling items and determine compliance with University policies and procedures.

Internal Audit obtained a download from Datamart of UHM Athletics P-card transactions posted to FMIS from July 1, 2010 through June 30, 2012 and compared these to P-card transactions processed through PVS Net. Internal Audit noted a net difference of \$68 of transactions included in FMIS but not included in PVS Net. Based on a review of the FMIS transactions and PVS Net transactions, Internal Audit noted that the differences were due to the following:

- \$1,434 charged by non-UHM Athletics Cardholders to UHM Athletics FMIS accounts. The Assistant Athletics Director for Business Operations verified that the transactions were proper and reasonable.*
 - \$1,366 of reimbursements were recorded directly in FMIS and electronically approved by UHM Athletics personnel.*
4. Perform inquiries with personnel from OPRPM with P-card oversight responsibilities regarding non-compliance by UHM Athletics P-card holders during the two years ended June 30, 2012.

OPRPM informed Internal Audit that they are unaware of any instances of non-compliance during the two years ended June 30, 2012.

5. Through review of documents, determine if the nature of the purchases by UHM Athletics P-card holders noted in Table 7 are applicable and appropriate to the P-card holder’s job function.

Based on our review of the purchases in Table 8, the P-card holders appear to be purchasing goods that are applicable to their respective job functions and departments.

6. Based on cumulative purchases by vendor, obtain (or prepare) a listing of the top 5 vendors for fiscal years 2012 and 2011. Through inquiry and review of documents, determine if the nature of these purchases are applicable to UHM Athletics.

Internal Audit prepared the following list of the top 5 vendors for UHM Athletics for fiscal years 2012 and 2011:

Table 9: Top 5 P-card Vendors

<i>Vendor Name</i>	<i>Fiscal Year</i>		<i>Total</i>
	<i>2012</i>	<i>2011</i>	
<i>Sports Line</i>	<i>\$ 10,316</i>	<i>\$ 9,485</i>	<i>\$ 19,801</i>
<i>Sprint Wireless</i>	<i>17,681</i>	<i>-</i>	<i>17,681</i>
<i>Happy Shirts Mail Order</i>	<i>6,521</i>	<i>7,439</i>	<i>13,960</i>
<i>Best Buy</i>	<i>3,418</i>	<i>9,675</i>	<i>13,093</i>
<i>Riddell All American</i>	<i>7,269</i>	<i>3,755</i>	<i>11,024</i>

Based on Internal Audit’s review of purchases (Table 8) by P-card holders in Table 7 and purchases from the vendors noted above (Table 9), the nature of P-card purchases made during fiscal year 2012 and 2011 appear to be applicable and in support of UHM Athletics.

VII. UHM Athletics Cash Receipts:

A. Overview

Cash receipts related to UHM Athletics activities are primarily collected at the following locations: 1) Stan Sheriff Ticket Office (Ticket Office), 2) UHM Athletics Business Operations Office (Business Office), and 3) UHM Athletics offices organizing sports camps (Sport Camp Offices). The sources of the cash receipts collected and processed at these locations consist of the following:

- Ticket sales
- Broadcast rights
- Corporate partner programs
- Tournament/Sponsorship distributions
- Food and beverage sale commissions and beverage rights
- Sports guarantees
- Facility rentals
- Sports camps

Cash receipts are also obtained from student athletic fees collected through the Banner student registration system. Commencing in the Spring 2011 semester, a \$50 Student Athletic Fee was assessed to UHM students resulting in \$818,000 collected as a part of the student course registration process. During the Fall 2011 and Spring 2012 semesters, \$1.7 million was collected.

Based on the review procedures performed (see B. Review Procedures), the following summarizes Internal Audit’s findings and observations:

Ticket Office

- The Ticket Office managed ticket sales related to a fundraising event held on April 9, 2011 at the Pagoda Hotel for the Tohoku University Hospital in Sendai, Japan. Internal Audit was informed that the UHM Athletics Director approved the ticket printing and collection of event proceeds by the Ticket Office. A written agreement or contract documenting the Ticket Office’s services and financial arrangements with respect to this event was requested but not provided to Internal Audit. Based on discussion with the Assistant Athletics Director for Business Operations, credit card fees associated with the event were deducted from sales proceeds prior to disbursing the net proceeds of \$13,790 to Tohoku Hospital.
- The Ticket Office prints tickets and manages ticket sales for events held by University related entities (Kennedy Theatre, Outreach College, etc.). The University related entities are billed by the Ticket Office for credit card and Paciolan ticketing system fees. Personnel costs and the cost of ticket stock are not charged to the University related entity. The Ticket Manager informed Internal Audit that written agreements exist for services provided to these entities; Although requested, agreements were not provided to Internal Audit.
- Non-University related entities may also request that the Ticket Office print tickets and manage ticket sales for events held both on and off campus. These non-University related

entities are generally billed by the Ticket Office for credit card fees, Paciolan ticketing system fees, Ticket Office personnel costs and the cost of ticket stock. According to the Ticket Manager, the non-University related entity will typically sign an agreement for services provided by the Ticket Office. However, Internal Audit noted instances of services performed by the Ticket Office for non-University entities that lacked a written agreement. Internal Audit also reviewed written agreements with non-University entities documenting the Ticket Office’s services, but lacked the specific financial arrangements for the performance of these services. Internal Audit believes the lack of written agreements and clarity regarding Ticket Office services and the recovery of costs for these services are attributable to insufficient written policies and procedures.

- Based on information requests made to the Ticket Office and inquiries of UHM Athletics personnel, Internal Audit believes that the Ticket Manager is the only UHM Athletics employee with a working functional knowledge of the Paciolan ticketing system as the Ticket Manager was the only employee able to provide requested ticketing reports. UHM Athletics should consider consulting with Paciolan to determine training programs available for Ticket Office full-time staff in addition to obtaining their recommendations and best practices regarding access rights to the Paciolan ticketing system. The Associate Athletics Director for Administrative Services and Assistant Athletics Director for Business Operations should be provided access to the Paciolan ticketing system along with certain Ticket Office full-time staff to increase operational efficiencies and controls of the Ticket Office. Paciolan ticketing system access provided to the Assistant Athletics Director for Business Operations will also improve the Business Office’s oversight and management of ticket sales and deposits processed by the Ticket Office.
- Internal Audit’s site visit of the Ticket Office noted that security could be strengthened with the installation of an alarm and/or card swipe access system.

Business Office

- The prepayment of rent and estimated expenses requirement for the use of UHM Athletics facilities by non-University entities is generally not enforced and is not in compliance with University Administrative Procedure A1.200 and the UHM Athletics Department Manual. Rent and out-of-pocket expenses are determined by the respective facility manager and billed subsequent to the completion of the event.
- In general, the respective facility managers authorize the use of their respective facility (Stan Sheriff Center, Les Murakami Stadium, T.C. Ching Field, Duke Kahanamoku Pool). Documentation supporting this delegation of authority to the facility managers was not provided to Internal Audit.
- The facility user fee schedule used since February 2007 is not approved by the UHM Chancellor. Internal Audit was informed that approval requests have been returned to UHM Athletics with no action or comments.
- Inconsistent treatment and handling of facility use arrangements (waiving of fees, billing and collection of rent and out-of-pocket expenses) in addition to non-compliance with existing policies and procedures.
- UHM Athletics facility personnel are paid overtime in addition to receiving compensatory time off and monthly stipend benefits when working at UHM Athletics facilities in excess of 8 hours per day for events held by non-University affiliated organizations. This practice appears to be contrary to a Memorandum of Agreement (MOA) prohibiting covered UHM

Athletics employees from earning overtime compensation in addition to benefits outlined in the MOA. Internal Audit was informed that both stipend and overtime payments are allowed because the handling of events related to non-University affiliated organization is considered outside the MOA. UHM Athletics should consult with the Office of Human Resources to determine the appropriateness of UHM Athletics staff receiving both overtime and stipend payments.

Sports Camps

- Cash receipts collected in excess of expenses are distributed to coaches as additional compensation.
- Coaches are not required by contract to charge vacation while operating and managing their respective camps although their coaching responsibilities are not being performed.
- Sports camps are not charged a fee for the use of UHM Athletic facilities (facility use fee).
- Sports camps are not required to purchase insurance to protect the University and staff from liability arising from camp operations or University facilities.
- The sports camps registration forms do not require evidence of participant physician clearance prior to camp participation.
- Proceeds deposited to UHF from annual football and volleyball Camp Scholarship Dinners were used to subsidize the 2011 and 2012 football camps and the 2012 volleyball camp, including the compensation paid to coaches. Scholarship Dinner attendees also received a tax deduction for the portion of their payment determined to be a contribution.
- Untimely forwarding of camp cash receipts to the Business Office for deposit.
- Incomplete camp reports submitted to UHM Athletics administration.
- Payment receipts are not prepared or provided to camp participants that mail their registration form and payment. APM 8.701 requires the preparation of a receipt for all cash payments.
- Unexplained differences for two (2) camps between recorded cash receipts per camp summary reports and actual cash deposited. Differences ranged from a cash shortage of \$615 to a cash overage of \$100.
- Evidence supporting the waiving of fees for 44 participants to a 2012 football camp and participants attending other sport camps (soccer and men’s basketball) was not provided to Internal Audit.

B. Procedures

The procedures, associated findings and observations are as follows:

1. Identify the nature and types of cash receipts and the related process and controls based on discussions with UHM Athletics personnel. Separate the discussion by the cash receipt collection location. In addition, document any observations.

Sources

a. Ticket Office

Ticket sales by sport for fiscal years ended June 30, 2012 and 2011 are as follows:

Table 10: Ticket Sales (\$000’s)

	<i>Fiscal Year</i>	
	<i>2012</i>	<i>2011</i>
<i>Football</i>	\$ 4,099	\$ 4,842
<i>Women's Volleyball</i>	1,012	782
<i>Men's Basketball</i>	918	1,066
<i>Baseball</i>	435	413
<i>Men's Volleyball</i>	216	288
<i>Women's Basketball</i>	43	51

The Ticket Office utilizes the Paciolan ticketing system (Paciolan system) to manage their ticketing process for all sports home games (i.e., football, baseball, men’s and women’s volleyball, and men’s and women’s basketball). The Paciolan website notes approximately 100 university athletic clients, including the University of Arizona, University of Oregon, University of Colorado, and the University of Southern California. Paciolan provides a hosted system for its customers such as UHM Athletics. Accordingly, the ticketing system technology (including processing, storage, security, etc.) resides at Paciolan.

The University has utilized the services of Paciolan since the 1980s with the current contract expiring in 2017. Paciolan charges UHM Athletics a ticket processing fee ranging from \$1 - \$6 for each individual game and season ticket sold online. The ticket processing fee plus a mark-up is added to the ticket price when customers purchase tickets from the UHM Athletics website. A handling fee of \$1 - \$2 per transaction is also charged for all UHM Athletics website and phone ticket purchases, depending on the method of ticket delivery (i.e., will call, print at home, regular mail).

In addition to the Ticket Office, individual game tickets may be purchased at Rainbowtique at Ward Center, UHM Campus Center, Aloha Stadium, and Les Murakami Stadium (baseball only). These additional venues have access to the Paciolan system. A ticket processing fee (up to \$4 per ticket) is assessed for ticket purchases at Rainbowtique at Ward Center, UHM Campus Center, and by phone. The purchase of season tickets typically include an AKA “premium seat” contribution ranging from \$230 - \$20/seat. The following represents season ticket sales and AKA “premium seat” contributions by sport for fiscal 2012 and 2011.

Table 11: Season Ticket Sales & “Premium Seat” Contributions by Sport (\$000s)

Sport	2012			2011		
	Season Ticket Sales	Premium Seat	Total	Season Ticket Sales	Premium Seat	Total
Football	\$ 2,758	\$ 1,534	\$ 4,292	\$ 2,762	\$ 1,386	\$ 4,148
Basketball	861	195	1,056	864	183	1,047
Women's Volleyball	502	174	676	506	177	683
Baseball	138	41	179	129	37	166
Men's Volleyball	152	56	208	165	62	227
Women's Basketball	22	-	22	20	-	20
TOTAL	\$ 4,433	\$ 2,000	\$ 6,433	\$ 4,446	\$ 1,845	\$ 6,291

The Paciolan system is also used to manage ticket sales for non-UHM Athletics events. Events and performances managed by various University related entities and held at University venues also use the Paciolan system. According to the Assistant Athletics Director for Business Operations, University related entities using the Paciolan system are responsible for any Paciolan and credit card fees. Personnel and ticket paper stock costs are not assessed to the University units. The following table lists the number of events held at various University related entities that used the Paciolan system during fiscal years 2012 and 2011:

Table 12: Number of University Events Using Paciolan

Responsible University Unit	Fiscal Year	
	2012	2011
Kennedy Theatre	75	80
Leeward Community College Theatre	17	18
Outreach College	22	13
Paliku Theatre (Windward Community College)	33	27

Internal Audit was also informed that non-University related entities contract with the Ticket Office for ticket printing and ticket sale processing for events not held at a University facility, such as Hawai‘i Bowl fundraising events. See Exhibit VII-A for a listing of non-University related entities that used the Paciolan ticketing system during fiscal years ended June 30, 2012 and 2011. Based on discussion with the Ticket Manager, the sponsor or organizer of non-UHM Athletics events utilizing the services of the Ticket Office will typically sign an agreement (for University related entities, agreement may be in the form of an email) documenting the applicable fees (e.g., Paciolan system fees, credit card processing fees, reimbursement of UHM Athletics payroll cost, reimbursement for cost of ticket paper stock) for ticket services. According to the Assistant Athletics Director for Business Operations, the applicable fees assessed to the non-University related entity generally include the Tickets Office’s fees incurred for Paciolan services, credit card processing, ticket paper stock, and personnel costs. Typically, these costs are deducted from total cash receipts collected for the respective event prior to remitting ticket sale proceeds to

the non-University related entity. Additional discussion is included in the “Facility Use” section below. In connection with Internal Audit’s review of non-University related events using the Paciolan system (Exhibit VII-A), Internal Audit noted that the Ticket Office managed ticket sales related to a fundraising event held on April 9, 2011 at the Pagoda Hotel for the Tohoku University Hospital in Sendai, Japan. Based on a review of the event recap prepared by an Assistant Ticket Manager, only credit card fees were deducted from total sales collected prior to remitting \$13,790 in proceeds directly to Tohoku University Hospital. No written agreement was provided to support this event. Internal Audit was informed that the UHM Athletics Director approved the Ticket Office’s services for this event and determined that no fees for the reimbursement of personnel costs or ticket paper stock would be assessed.

Season ticket orders are processed over the phone, internet, mail, and at walk-up window(s) at the Ticket Office. In addition, individual game tickets may also be purchased at Les Murakami Stadium (baseball only), Aloha Stadium, Rainbowtique at Ward Center, and UHM Campus Center. At the end of each cashier’s shift, the cashier signs a report documenting their sales proceeds (cash, checks, credit card sales). The cash and checks are secured in the Ticket Office’s vault until retrieved by UHM Campus Security and delivered to the UHM Cashiers’ Office the following business day. An Assistant Ticket Manager reconciles the sales proceeds report to a Paciolan system “Detail Batch Transaction Report” (Transaction Report) and prepares a U-document from the Transaction Report for recordation into FMIS. A copy of the U-document and the Transaction Report is provided to the Business Office for reconciliation to FMIS. The Assistant Athletics Director for Business Operations reviews documentation supporting all UHM Athletics cash receipts prior to recordation in FMIS in addition to performing a monthly review of FMIS for all UHM Athletics accounts.

Internal Audit performed a site visit of the Ticket Office and noted a locked file cabinet located inside of the walk-in vault secures cash and checks. The Ticket Manager informed Internal Audit that knowledge of the vault combination is restricted to full-time Ticket Office employees. Based on discussion with the Ticket Manager, improvements to the Ticket Office’s current security system have been deferred due to budget constraints.

Aloha Stadium nets its UHM football game ticket sales against football game day related expenses incurred by Aloha Stadium such as labor, trash disposal, and other fees. Sales in excess of expenses are remitted to the Business Office. UHM Athletics pays Aloha Stadium if expenses exceed sales. Ticket sale receipts collected at UHM Campus Center and by Rainbowtique at Ward Center are recorded to clearing accounts under those units and remitted monthly to the Ticket Office. Credit card sales are recorded and settled daily by the Ticket Office.

At the end of the season for each sport, the Assistant Ticket Manager reconciles the total sales for the respective sport season per the Paciolan system to FMIS. This reconciliation is an additional (annual) control to the daily control reconciling deposits to FMIS to detect errors in the recordation of ticket sales. The annual reconciliation is also reviewed by the Assistant Athletics Director for Business Operations for reasonableness.

b. Business Office

The Business Office collects and processes deposits for the following cash receipts:

- *Broadcast rights*
- *Corporate partner programs*
- *Tournament/Sponsorship distributions*
- *Food and beverage sale commissions and beverage rights*
- *Sports guarantees*
- *Facility rentals*

The Business Office Administrative Assistant prepares invoices for broadcast rights, corporate partner programs, and facility rental agreements based on related contract terms. The corporate partner program contracts are provided to the Business Office by the Associate Athletics Director for External Affairs and the facility rental agreements are provided by the respective Facility Managers. The invoices are recorded in a billing log and forwarded to the Assistant Athletics Director for Business Operations for review and approval. Customer payments are mailed to the Business Office. The Business Office Administrative Assistant records customer payments in a billing log, prepares a Bank of Hawai‘i deposit slip, places the cash receipts and deposit slip in a bank bag that is sealed, and delivers the bank bag to the Ticket Office for pick-up by UHM Campus Security for delivery to the UHM Cashiers Office. U-documents and supporting documents are reviewed and approved for recordation in FMIS by the Assistant Athletics Director for Business Operations.

1) *Broadcast Rights*

The following table presents receipts from broadcast rights for the fiscal years ended June 30, 2012 and 2011:

Table 13: Broadcast Rights Cash Receipts (\$000’s)

	<i>Fiscal Year</i>	
	<i>2012</i>	<i>2011</i>
<i>Oceanic Time Warner Cable</i>	<i>\$ 2,454</i>	<i>\$ 1,968</i>
<i>ESPN 1420</i>	<i>167</i>	<i>368</i>
<i>KHNL/KFVE</i>	<i>-</i>	<i>500</i>

UHM Athletics has contracts with Oceanic Time Warner Cable (Oceanic) and KHNL/KFVE, LLC (KFVE) for television and pay-per-view (PPV) broadcasts and with ESPN 1420 (KCCN-AM) for radio broadcasts. The joint agreement with Oceanic and KFVE, effective July 1, 2008 – June 30, 2014, provided KFVE with the television rights and Oceanic with the PPV rights to UHM Athletic events through June 30, 2011. As of July 1, 2011, Oceanic obtained the television and PPV rights for UHM Athletics events.

2) Corporate Partner Programs

*UHM Athletics receives cash pursuant to contracts with corporate partners. During fiscal year 2012 and 2011, total corporate partner program cash receipts were approximately \$2.9 million and \$2.3 million, respectively. Corporate partners provide contributions in the form of cash and/or trade (good and/or services). According to the Assistant Athletics Director for Business Operations, trade provided to UHM Athletics was valued at approximately \$1.0 million and \$800,000 for the fiscal years ended June 30, 2012 and 2011, respectively. For example, Under Armour provides both a cash contribution and products to UHM Athletics. In return, UHM Athletics provides promotion value at athletic venues, complimentary sports game tickets, and parking. For further discussion, see “Corporate Partner Programs” discussion under the “Complimentary Game Ticket” at **Section VIII**. The following table presents the top five corporate partners in terms of cash receipts for the fiscal years ended June 30, 2012 and 2011:*

Table 14: Top 5 (by Cash Receipts) Corporate Partner (\$000’s)

	<i>Fiscal Year</i>	
	<i>2012</i>	<i>2011</i>
<i>Anheuser Busch</i>	<i>\$ 150</i>	<i>\$ 150</i>
<i>Bank of America MBNA</i>	<i>150</i>	<i>150</i>
<i>Under Armour</i>	<i>141</i>	<i>170</i>
<i>Chevron</i>	<i>129</i>	<i>146</i>
<i>Bank of Hawai‘i</i>	<i>120</i>	<i>155</i>

3) Tournament / Sponsorship Distributions

The following table presents amounts received from the NCAA and WAC for fiscal year 2012 and 2011:

Table 15: NCAA & WAC Distribution Cash Receipts (\$000’s)

	<i>Fiscal Year</i>	
	<i>2012</i>	<i>2011</i>
<i>WAC</i>	<i>\$ 265</i>	<i>\$ 1,949</i>
<i>NCAA</i>	<i>1,204</i>	<i>1,098</i>

*The NCAA distributes revenue from national tournaments in addition to grants-in-aid and sports sponsorship to participating colleges and universities such as UHM. UHM Athletics also receives a share of pooled revenues and other sponsorships from WAC television contracts and participation by WAC member institutions in certain post-season tournaments. As previously discussed in the Panda Travel section (**Section V**), the football team became a member of the MWC while most other sports became members of the BWC effective July 1, 2012. As a condition of leaving the WAC, UHM Athletics forfeited the WAC pooled revenue distribution for fiscal year 2012, which totaled \$1.3 million in fiscal year 2011.*

4) Food and Beverage Sale Commissions and Beverage Rights

UHM Athletics receives commissions from Sodexo and the Pepsi Bottling Group (PBG) related to concession sales at on-campus sporting events. The Sodexo and PBG contracts are signed and managed by UHM Auxiliary Enterprises. UHM Auxiliary Enterprises deposits and records the portion of commission related to UHM Athletics to an UHM Athletics account in FMIS. The following table presents receipts from the two largest sources of commissions and right fees for fiscal 2012 and 2011:

Table 16: Food and Beverage Sale Commissions and Beverage Rights (\$000’s)

	<u>Fiscal Year</u>	
	<u>2012</u>	<u>2011</u>
<i>Food commissions - Sodexo</i>	<i>\$ 631</i>	<i>\$ 503</i>
<i>Beverage commissions & rights - Pepsi</i>	<i>73</i>	<i>103</i>

5) Sports Guarantees

*Sports guarantees are funds received from or travel expenses paid by the host university to guarantee the game appearance of the UHM Athletics sports team. Sports guarantees primarily relate to football (See **Section II**, UHM Cash Disbursements, for sports guarantees paid to opponents). The following table presents the two most significant cash receipt sports guarantees from football opponents during fiscal 2012 and 2011:*

Table 17: Sports Guarantees Cash Receipts (\$000’s)

<u>Fiscal Year 2012</u>		<u>Fiscal Year 2011</u>	
<i>University of Washington</i>	<i>\$ 350</i>	<i>University of Colorado</i>	<i>\$ 500</i>
<i>University of Nevada at Las Vegas</i>	<i>200</i>	<i>Army</i>	<i>350</i>

6) Facility Use

UHM Athletic facilities, such as the Stan Sheriff Center, Les Murakami Stadium, T.C. Ching Field, and the Duke Kahanamoku Pool may be rented by non-affiliated University entities. Each of these venues has a facility manager who is responsible for scheduling maintenance and use of these venues. According to University Administrative Procedure A8.400, section 2, general liability insurance to indemnify the University is required of non-affiliated University entities. Rental payments and estimated out-of-pocket expenses (set-up expenses, event staff payroll, clean-up costs, etc.) are required at the time of reservation per the UHM Athletics Department Manual. Further, according to University Administrative Procedures A1.200, section 9.g.4., organizations are required to make a payment in full prior to the scheduled event for the use and services of campus facilities. However, based on discussion with the Assistant Athletics Director – Facilities/Events and a review of supporting documentation, we noted that out-of-pocket expenses are determined by the respective facility manger and are generally billed with the related rent subsequent to the completion of the event. Based on discussion with and review of copies of memorandums provided by the Associate Athletics Director for Administrative Services,

Internal Audit noted that the current facility use fees schedule was provided to a former President and UHM Chancellor during August 2006 and February 2007 for review and approval. However, Internal Audit was informed that no action was taken by the former President or UHM Chancellor.

Review of documentation provided to Internal Audit to support the use of UHM Athletics facilities by non-University entities noted an “Application and Agreement for Evening and Holiday Use of University Facilities” was prepared pursuant to Administrative Procedures A1.200 and authorized by the respective facility manager. The Assistant Athletics Director – Facilities/Events informed Internal Audit that facility managers are generally able to authorize events held in their respective facility with limited oversight from UHM Athletics administrators. Internal Audit noted that facility use fees for the First Robotics Competition was waived by the UHM Chancellor and a Drug Abuse Resistance Education (DARE) event was waived by the UHM Athletics Director. Internal Audit also noted that general liability insurance was obtained in accordance with policy. Internal Audit was also informed by the Assistant Athletics Director for Business Operations that facility use fees for HHSAA tournaments and Special Olympics were waived by the UHM Athletics Director. However, during cash receipts testing performed at Exhibit VII-B, Internal Audit noted that the Hawai‘i High School Athletics Association (HHSAA) were responsible for clean-up costs of approximately \$15,000 for the boy’s basketball championship held on March 3-9, 2010. Internal Audit recommends that UHM Athletics enhance and strengthen compliance with policies with respect to facility use arrangements due to the inconsistent treatment and handling of the reviewed arrangements. Appropriate oversight of facility managers and documentation supporting the delegation of authority to sign facility use arrangements (e.g., authorization of facility use, rental fees, waivers, out-of-pocket expenses, etc.) should be included in these policies. In addition, UHM Athletics must comply with existing policies regarding the payment of rent and out-of-pocket expenses prior to events.

Upon review of out-of-pocket expense listings prepared by respective facility managers and recorded on FMIS, Internal Audit noted that facility personnel were paid overtime for time incurred related to events held by non-University affiliated organizations. The overtime was billed to and subsequently reimbursed by non-University affiliated organizations. Internal Audit also noted that certain facility personnel that do not work the standard eight hour work day, forty-hour per week work schedule are entitled to earn compensatory time off and a monthly stipend between \$300 - \$350 pursuant to a Memorandum of Agreement (MOA) between the Board of Regents, University and the Hawai‘i Government Employees Association in effect from June 30, 2011 through June 30, 2013. According to the MOA, UHM Athletics employees receiving benefits pursuant to this MOA are not entitled to overtime. Certain facility personnel receive both stipend and overtime payments related to events held by non-University affiliated organizations at UHM Athletics facilities, which Internal Audit believes is contrary to the provisions of the MOA. Based on discussion with UHM Athletics personnel, both stipend and overtime payments are allowed because the handling of events related to non-University affiliated organizations is considered outside the MOA. UHM Athletics

should consult with the Office of Human Resources to determine the appropriateness of UHM Athletics staff receiving both overtime and stipend payments.

c. Sports Camps

Sports camps are generally held from June through August and are operated and managed by a designated Camp Director for the respective sport. The Camp Director is typically a head coach or assistant coach. The parent or guardian of the participant must sign a camp application form containing assumption of risk and release provisions and consenting to medical assistance. The Camp Director receives applications and cash receipts from camp participants through the mail or on the day of the camp. The cash receipts are forwarded to the Business Office for deposit. The Assistant Athletics Director for Business Operations informed Internal Audit that a comparison of cash receipts recorded in FMIS and the camp proceeds reflected in sports camp summary report is performed to detect discrepancies.

A written proposal for each sports camp (purpose, dates/times, fees, target group, budget, staffing, and responsibilities) must be submitted to the Director of Compliance/Eligibility and the Associate Athletics Director and Senior Woman Administrator for review and approval prior to the start of the camp. At the conclusion of the camp, Camp Directors prepare a camp summary report to account for the revenues and expenses of the camp. The camp summary report and the final list of participants is reviewed and approved by the Director of Compliance/Eligibility or the Associate Athletics Director and Senior Woman Administrator, and the Assistant Athletics Director of Business Operations. Of the approved camp summary reports provided and reviewed by Internal Audit, there were certain instances where the final list of participants was not attached.

Student-athletes may work at the camps subject to the approval of the Director of Compliance/Eligibility and are compensated based on the University’s Student Employment Pay scale. Internal Audit was informed that head coach contracts include a provision allowing the head coach to organize sports camps and receive excess camp proceeds as additional compensation. Internal Audit read the contracts for the head coaches of women’s volleyball and baseball confirming the existence of this contract provision. Further, based on discussion with the UHM Athletics Human Resource Specialist, Internal Audit noted that assistant coaches may earn additional compensation related to work conducted beyond their regular position duties, such as managing and providing instruction at sports camps. The UHM Athletics Human Resource Specialist also informed Internal Audit that coaches are not required to charge vacation while operating and managing sports camps.

The sport camps are assessed an administration fee of 6% to 8% of total cash proceeds collected to cover sports camp related costs incurred by the Business Office. Camps that utilize the Duke Kahanamoku pool (i.e., swimming and water polo) are assessed an additional 10% fee of cash proceeds collected to assist in defraying chlorine costs. Camp proceeds in excess of expenses are distributed to the head coach and assistant coaches as additional compensation. The head coach determines the compensation allocation to assistant coaches. The additional compensation to the coaches and assistant coaches are

generally not processed until the camp summary report is submitted and approved by the Associate Athletics Director and Senior Woman Administrator. The administrative fees earned by the Business Office in connection with their sports camp assistance are not transferred out of the respective sport camp accounts within FMIS. See Exhibit VII-B for a schedule of camp receipts, student-athlete payroll and amounts distributed to coaches.

Internal Audit Observations

Based on inquiries, review of camp summary reports and related documents for cash receipts collected during fiscal years ended June 30, 2012 and 2011, the following were noted:

- Cash receipts collected in excess of expenses are distributed to coaches as additional compensation. Camp brochures and applications do not disclose the disposition of camp proceeds.*
- Sports camps are not charged a fee for the use of the UHM Athletic facilities (facility use fee).*
- Sports camps are not required to purchase insurance to protect the University, coaching staff and student athletes from liability arising from accidents involving camp operations or University facilities. In addition, group medical insurance is not purchased to cover camp participants. Internal Audit noted that the University is self insured for general liability claims below \$250,000 per occurrence. UHM Athletics should consult with the University’s risk management office and consider obtaining and charging the sports camps for insurance to cover claims below the self-insured retention amounts in addition to medical liability insurance for camp participants.*
- The sports camps registration forms do not require evidence of participant physician clearance prior to camp participation.*
- Coaches are not required to charge vacation while operating and managing their respective camps although their coaching responsibilities are not being performed.*
- Approximately \$78,000 of proceeds deposited to UHF from annual Football Scholarship Dinners held during June 2011 and June 2012 were used to subsidize the expenses for the 2011 and 2012 football camps, including compensation paid to coaches. The Scholarship Dinner’s application and marketing information disclosed that proceeds would defray the cost of the football camp but did not disclose payment of excess camp proceeds to the football coaching staff. Scholarship Dinner attendees also received a tax deduction for the portion of their payment determined to be a contribution.*
- Approximately \$22,000 of proceeds deposited to UHF from the inaugural A’o Koa Scholarship Dinner held on January 7, 2011 was used to defray costs for the 2012 UH Warrior Volleyball Youth Summer Camp, which included compensation paid to men’s volleyball coaches. Scholarship Dinner attendees also received a tax deduction for the portion of their payment determined to be a contribution.*
- Donation proceeds aggregating approximately \$23,000 from Hawai‘i Medical Service Association, Chevron Products Co., and BEI Hawai‘i were used to subsidize the expenses for the 2012 men’s basketball camp, including compensation paid to coaches.*

- *Internal Audit noted four (4) instances of cash receipts forwarded to the UHM Athletics Business Office for deposit from one (1) to six (6) weeks after the conclusion of the respective camp.*
- *Of the sports camps held during fiscal years 2012 and 2011, Internal Audit noted ten (10) instances of the approved camp summary reports provided to and reviewed by Internal Audit lacking the required final list of camp participants. In addition, requested supporting documentation for two (2) sports camps was not provided to Internal Audit.*
- *Payment receipts are not prepared or provided to camp participants that mail their registration form and payment. APM 8.701 requires the preparation of a receipt for all cash payments.*
- *Internal Audit noted unexplained differences for two (2) camps between recorded cash receipts per camp summary reports and actual cash deposited. Differences ranged from a cash shortage of \$615 to a cash overage of \$100.*
- *The responsibilities for coaches involved with two swimming camps reviewed by Internal Audit were solely administrative. Coach responsibilities for other camps reviewed included providing instruction to camp participants. Internal Audit was told that the swim coaches’ received additional compensation resulting from their responsibilities to arrange hotel, logistics, and practice times for visiting collegiate teams to practice and train during winter months.*
- *Pursuant to the 2012 football camp roster, fees for 44 participants were waived. UHM Athletics policy prohibits free or reduced waivers. However, UHM Athletics personnel informed Internal Audit that waivers may be provided to dependents of UHM Athletics department staff with the approval of the UHM Athletics Director. Pursuant to UHM Athletic Department policy, waivers require the completion of a “Request for Waiver of Camp Participation Fee” form (Waiver Form) signed by the UHM Athletics Director. Internal Audit was informed that Waiver Forms were not prepared for the 44 participants. Based on review of the camp roster and discussion with the UHM Athletics Director of Compliance/Eligibility, it was determined that 10 participants were dependents of UHM Athletics department staff and 14 participants received football summer camp vouchers waiving the camp fee. UHM Athletics did not provide explanations or documentation supporting the waiving of camp fees for the remaining 20 participants. Internal Audit was also not provided Waiver Forms for camp registration fees waived for other sport camps (December 2011 soccer and June 2012 men’s basketball camps).*
- *Two baseball employees in non-coaching positions were provided additional compensation (overload) for services that are consistent with the employees’ normal duties according their position descriptions. The UHM Athletics Human Resource Specialist concurs with these observations.*

Cash Receipts Review

2. Obtain a listing from UHM Athletics personnel of cash receipts for each year during the fiscal years ended June 30, 2012 and 2011. Review the listings and judgmentally select a sample of cash receipts for both years. Read applicable University policies (Board of Regent policies, Executive policies and Administrative procedures) related to cash receipts.

- a. Obtain and review the following supports for each cash receipt transaction:
 - i. U-document
 - ii. Bank of Hawai‘i deposit slip
 - iii. For the following types of cash receipts, obtain and review the following:
 1. Ticket sales – Transaction Report (generated from the Paciolan system)
 2. Broadcast rights – Oceanic Time Warner Cable and KHNL/KFVE signed contracts, ESPN 1420 signed contract
 3. Corporate partnership programs – signed corporate partnership agreement
 4. Tournament/Sponsorship distributions – WAC year-end distribution schedule, WAC/NCAA check remittance advice
 5. Food sale commissions – Pepsi and Sodexo signed contracts, allocation summary of payments from Auxiliary Enterprises
 6. Sports guarantees – signed guarantee contract
 7. Sports camps – camp summary report signed by the Associate Athletics Director and Senior Woman Administrator and/or the Director of Compliance/Eligibility
 8. Facility rentals – signed facility use agreement
- b. Verify that the cash receipt was approved by the Assistant Athletics Director for Business Operations.

The receipts selected are noted at Exhibit VII-C. No exceptions were noted based on procedures performed.

VIII. Complimentary Game Tickets

A. Overview

Complimentary season and individual game tickets are provided for football, baseball, men’s and women’s basketball, and men’s and women’s volleyball. The following tables summarize complimentary season and individual game ticket information derived from Paciolan ticket system reports provided by the Ticket Manager for the fiscal years ended June 30, 2012, 2011, and 2010. The number of tickets represents season or individual game tickets printed and issued as complimentary. The estimated value was calculated by Internal Audit based on seat assignment and published season ticket prices. A substantial number of complimentary tickets are issued to corporate partners in exchange for contributions to UHM Athletics (see further discussion below).

Based on discussions with the Associate Athletics Director for Administrative Services and the Ticket Manager and a review of complimentary season ticket schedules for the fiscal years ended June 30, 2012, 2011, and 2010, a substantial number of complimentary season tickets are issued to the following:

- Corporate partners
- Automobile dealerships
- UHM Athletics and AKA employees and volunteers
- Board of Regents and University executive personnel
- Student-athletes

Table 18: Complimentary Season Tickets

Fiscal Year 2012:		Estimated		
Sport	No. of Season Tickets	Ticket Value *	AKA PSC *	Total
Football	3,387	\$469,645	\$382,265	\$851,910
Basketball	1,203	283,300	57,800	341,100
Women's Volleyball	1,218	177,165	68,100	245,265
Baseball	982	169,170	75,960	245,130
Men's Volleyball	1,002	143,600	94,480	238,080
Women's Basketball	778	54,460	-	54,460
TOTAL	8,570	\$1,297,340	\$678,605	\$1,975,945

Fiscal Year 2011:		Estimated		
Sport	No. of Season Tickets	Ticket Value *	AKA PSC *	Total
Football	3,427	\$473,488	\$365,575	\$839,063
Basketball	1,218	284,340	58,700	343,040
Women's Volleyball	1,188	172,665	66,060	238,725
Baseball	977	167,745	67,460	235,205
Men's Volleyball	1,002	143,700	94,560	238,260
Women's Basketball	790	47,400	-	47,400
TOTAL	8,602	\$1,289,338	\$652,355	\$1,941,693

Fiscal Year 2010:		Estimated		
Sport	No. of Season Tickets	Ticket Value *	AKA PSC *	Total
Football	3,587	\$495,117	\$370,605	\$865,722
Basketball	1,219	286,780	68,500	355,280
Women's Volleyball	1,188	172,575	62,700	235,275
Baseball	988	182,780	66,640	249,420
Men's Volleyball	955	139,150	87,300	226,450
Women's Basketball	728	43,680	-	43,680
TOTAL	8,665	\$1,320,082	\$655,745	\$1,975,827

* The estimated value and AKA premium seat contribution (PSC) was determined based on the seat assignment and the season ticket price and AKA premium seat contribution (range from \$230 - \$20/seat) amount for the respective season. The AKA premium seat contributions are deposited into the UHF and subsequently donated to UHM Athletics. Typically, these contributions along with the ticket price must be paid in full in order to receive season tickets.

Table 19: Complimentary Individual Game Tickets

Sport	2012		2011		2010	
	# of Game Tickets	Estimated Value *	# of Game Tickets	Estimated Value *	# of Game Tickets	Estimated Value *
Football	8,559	\$ 329,236	8,055	\$ 252,193	9,139	\$ 295,708
Basketball	2,714	54,852	3,427	70,790	3,806	80,524
Women's Volleyball	2,991	42,592	3,561	52,137	4,631	65,077
Baseball	3,706	29,554	3,350	22,996	4,259	28,464
Men's Volleyball	1,890	19,185	2,322	23,457	2,296	24,692
Women's Basketball	3,033	21,231	3,013	21,091	1,680	11,760
TOTAL	22,893	\$ 496,650	23,728	\$ 442,664	25,811	\$ 506,225

* The estimated value of the ticket was determined based on the seat assignment and face value of the ticket.

Based on the review procedures performed, the following summarizes Internal Audit’s findings and observations:

- A significant number of complimentary tickets are provided to Corporate Partners and employees of UHM Athletics.
- UHM Athletics should reconcile complimentary ticket approvals to the complimentary tickets printed from the Paciolan system.
- Approximately 293 of the 322 (or 91%) complimentary season tickets provided to UHM Athletics employees for football during fiscal year 2012 are situated in sections that require AKA contributions ranging from \$110 - \$230 per ticket.
- UHM Athletics should consider maintaining a copy of courtesy car agreements signed by UHM Athletics coaches and the courtesy car provider.

B. Review Procedures

The procedures, associated findings and observations are as follows:

1. Review the background and purpose of providing complimentary tickets by class of recipient. Document observations in connection with this review.

Corporate Partner Program

According to the UHM Athletics website and discussion with UHM Athletics personnel, the following are the 7 levels of Corporate Partners:

Level	Contribution Tier
Diamond	\$150,000 +
Platinum	\$100,000 - \$149,999
Koa	\$75,000 - \$99,999
Kaimana	\$50,000 - \$74,999
Kula	\$25,000 - \$49,999
Makana	\$10,000 - \$24,999
Ohana	\$9,999 - negotiable

Corporate Partner contributions consist of cash and/or trade (goods and/or services). In return, UHM Athletics provides promotional value at athletic venues (e.g., event sponsorships, signage, giveaway opportunities, public address announcements, etc.), complimentary season and/or individual game tickets, and parking. During fiscal years 2012 – 2010, Internal Audit noted that the number of complimentary season tickets provided to Corporate Partners ranged from 4,423 to 4,469. Corporate Partners may also receive market exposure through television, radio, and print advertising, press releases, website posting, etc. Internal Audit was informed that the value of goods provided by UHM Athletics is generally 50% of the stated value of the Corporate Partner’s trade contribution. Internal Audit was also informed that the stated value of the contribution is subject to review by the Associate Athletics Director for Administrative Services and the Associate Athletics Director for External Affairs and may be questioned for reasonableness. The terms and conditions of Corporate Partner arrangements are supported by written agreements.

“Car Coaches” Program

Certain automobile dealerships and companies provide cars to UHM Athletics coaches and the UHM Athletics Director in return for promotional value at athletic venues, season tickets and reserved parking passes in connection with the “Car Coaches” program. During fiscal years 2012 – 2010, Internal Audit noted that the number of complimentary season tickets provided to automobile dealerships participating in the “Car Coaches” program ranged from 584 to 632. Internal Audit was informed by the Associate Athletics Director for Administrative Services that a provision is included in certain coaches’ contracts stating that a courtesy car may be provided based on availability. Internal Audit was also informed that the UHM Athletics Director selects the UHM Athletic head coaches and assistant coaches offered a courtesy car and that the courtesy car agreements (if any) are solely between the automobile dealership or company and the respective UHM Athletics employee. A Form 1099 may be provided by the automobile dealership or company directly to the UHM Athletics employee for income tax reporting purposes. Courtesy car agreements (if any) signed by UHM Athletics employees are not forwarded to UHM Athletics administration for review. According to UHM Athletics policy, UHM Athletics employees provided with a courtesy car are responsible for obtaining the

necessary insurance in accordance with State laws and/or requirements of the automobile dealer/company and is personally responsible for the care and maintenance of the car. During fiscal years 2012 and 2011, Internal Audit was provided a list maintained by the Associate Athletics Director for External Affairs that 26 courtesy cars were provided to UHM Athletics head coaches, assistant coaches, and the UHM Athletics Director.

UHM Athletics and AKA Employees and Volunteers

Pursuant to Internal Audit’s review of the UHM Athletics “Complimentary Ticket and Parking Guidelines” policy in addition to discussions with the Associate Athletics Director for Administrative Services and the Assistant Athletics Director for Business Operations, all UHM Athletics and AKA employees (including their respective spouse/partner and household dependents) are eligible to receive complimentary season and/or individual game tickets (home and away games) upon request. With respect to complimentary season tickets, 80% of the season ticket price (excludes any premium seat fees) is reported as employee compensation and reported on the UHM Athletics employee’s W-2 or Form 1099-MISC for AKA employees. If the season ticket is issued to an employee whose attendance is expected as part of their employment, only the value of season tickets issued to family members is included in the W-2 or Form 1099-MISC. UHM Student employees and volunteers are also eligible to receive complimentary individual game tickets within specific guidelines. No additional compensation is reported for employees receiving individual game tickets, unless the number of game tickets received equals or exceeds 50% of the season ticket games for a specific sport. Complimentary season tickets issued to UHM Athletics and AKA employees and the number of employees receiving the season tickets during the fiscal years ended June 30, 2012, 2011, and 2010 are as follows:

Table 20: Complimentary Season Tickets issued to UHM Athletics and AKA Employees

Sport	2012			2011			2010		
	No. of Season Tickets	No. of Emp.	Estimated Value *	No. of Season Tickets	No. of Emp.	Estimated Value *	No. of Season Tickets	No. of Emp.	Estimated Value *
Football	322	98	\$ 46,310	305	91	\$ 44,063	317	101	\$ 45,803
Basketball	82	29	19,970	87	31	21,390	74	34	17,110
Women's Volleyball	112	41	16,770	101	36	15,000	100	38	14,745
Baseball	26	10	4,710	21	8	3,685	22	9	4,070
Men's Volleyball	36	9	5,300	38	11	5,600	40	12	5,800
Women's Basketball	36	8	2,520	18	8	1,080	24	11	1,440
TOTAL	614	195	\$ 95,580	570	185	\$ 90,818	577	205	\$ 88,968

* The estimated value was determined based on the seat assignment and equivalent season ticket value. AKA "premium seat" contributions (range from \$230 - \$20/seat), are not included in the calculated value. These contributions are deposited into the UHF and subsequently donated to UHM Athletics. Typically, these contributions along with the ticket price must be paid in full in order to receive season tickets.

Board of Regents and University Executive Personnel

According to schedules provided by UHM Athletics, Internal Audit noted complimentary

season tickets provided to certain members of the Board of Regents and University executive personnel. According to UHM Athletics personnel, the UHM Athletics Director approves the issuance of complimentary season tickets to the Board of Regents Office and certain University executive personnel. Internal Audit was also informed that federal and state reporting requirements regarding the receipt of complimentary tickets is the responsibility of the recipients.

Student-Athletes

Student-athletes are provided four (4) complimentary admissions for each game for their respective sport and are required to designate the specific individual(s) that will be receiving the complimentary game ticket several days prior to the respective game. To obtain entry to a respective game, the designated individual is required to enter through a specific entrance, provide identification and sign a document evidencing receipt of complimentary admission into the respective game. Internal Audit was informed that UHM Athletics ticket office personnel accompany the football team on road games for purposes of managing complimentary admissions to student-athletes' designated guests and to ensure compliance with NCAA regulations. The value of the complimentary admissions provided to student-athletes is not subject to Form-1099 reporting requirements.

Internal Audit Observations

Based on Internal Audit's review and discussion with UHM Athletics personnel, all requests for complimentary season and/or individual sports game tickets are entered into an internal electronic complimentary ticket request/approval system. The requestor is required to document the quantity of complimentary tickets requested, sport, justification and other relevant information. Once the request is input into the system, it will route electronically to the Associate Athletics Director for Administrative Services for approval. The Associate Athletics Director will approve or deny the request based on the "Complimentary Ticket and Parking Guidelines" and any written agreements (e.g., Corporate Partnership Agreements, "Car Coaches" Programs, etc.) if applicable.

The Ticket Office receives the approved request and prints and issues the complimentary tickets from the Paciolan system. Internal Audit was informed by the Ticket Manager that there are currently four (4) Ticket Office employees that have the authorization and ability to print tickets (sold and complimentary tickets). UHM Athletics and AKA employees and volunteers receiving complimentary tickets are required to sign a printout of the approval screen from the internal electronic complimentary ticket request/approval system to evidence receipt of the tickets.

At the end of the respective sports season, the Ticket Manager provides the Assistant Athletics Director for Business Operations a report from the Paciolan system documenting all UHM Athletics and AKA employees that received complimentary season tickets and the signed printout of approval screen evidencing receipt of the tickets. The Paciolan system generated report and signed printouts support the Disbursing and Payroll Office reporting additional compensation on the employees' W-2s or Form 1099 for AKA employees.

The internal electronic complimentary ticket request/approval system is not interfaced with the

Paciolan system. Internal Audit was informed that no reconciliation is performed between the complimentary tickets approved (in the internal request/approval system) and complimentary tickets issued from the Paciolan system.

Complimentary Ticket Review

2. Obtain a listing of complimentary season tickets for all sports for fiscal years ended June 30, 2012, 2011, and 2010. Select a judgmental sample of complimentary season tickets and perform the following:
 - a. Review the UHM Athletics internal request/approval complimentary ticket system and verify approval by the Associate Athletics Director for Administrative Services and note justification for the complimentary ticket.
 - b. For the following types of complimentary tickets, perform the following:
 - i. Corporate partners – Agree number of complimentary tickets to the respective written corporate partner agreement.
 - ii. Automobile dealership – Agree number of complimentary tickets to a listing maintained by the Associate Athletics Director for External Affairs of complimentary season tickets to be provided to automobile dealerships/companies for the respective fiscal year.
 - iii. UHM Athletics and AKA employees – Agree to the acknowledgement sheet signed by the respective employee indicating receipt of the complimentary tickets. For season tickets received by UHM Athletics and AKA employees, determine if the appropriate amount of additional compensation [(80% of season ticket price) x (number of season tickets received)] was reported to the Disbursing and Payroll Office.
 - iv. Student-athletes – Agree to acknowledgement sheets signed by respective individuals receiving complimentary entry into sports game/events.
 - v. Others – Agree number of complimentary ticket to additional support if applicable.

The complimentary season tickets selected for testing and related results are noted in Exhibit VIII-A. Internal Audit’s observations are as follows:

- *The value of season tickets that are issued to the UHM Athletics Director and Associate Athletics Director for External Affairs for personal use were not included in their respective W-2 for income tax reporting purposes. Per discussion with the Associate Athletics Director for Administrative Services, the value of season tickets provided during the current fiscal year to the Associate Athletics Director for External Affairs will be communicated to the Disbursing and Payroll Office for inclusion in his W-2.*
- *The evidence of approvals for issued complimentary season tickets were requested but not provided to Internal Audit in three instances (Aloha Stadium – 32 football season*

tickets; Shawn Ching – 2 men’s volleyball season tickets; Brad Motooka – 2 men’s volleyball season tickets).

3. Provide overall recommendations:

- *UHM Athletics should evaluate the propriety of certain UHM employees receiving season tickets but not receiving a W-2 or Form 1099 noting additional compensation for the value of the season tickets.*
- *UHM Athletics should reconcile approvals of complimentary tickets from the internal electronic complimentary ticket request/approval system to the complimentary tickets actually printed from the Paciolan system to minimize the risk of issuing complimentary tickets without appropriate approval.*
- *UHM Athletics should consider reviewing and maintaining a copy of courtesy car agreements (if any) signed by UHM Athletics personnel to ensure that UHM Athletics and the University are not exposed to any liability.*