



***NCAA COMPLIANCE –
FINANCIAL AID***

September 30, 2019

Office of Internal Audit and Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: September 30, 2019

TO: Kyle, Moats, Director of Athletics
Casey Hunt, Senior Associate Director of Athletics/SWA

FROM: Donna Christian, Director of Internal Audit and Risk Management
Tami Reed, Senior Internal Auditor

CC: Clifton M. Smart III, University President
Rachael M. Dockery, General Counsel and Chief Compliance Officer

NCAA COMPLIANCE – FINANCIAL AID

BACKGROUND

The bylaws governing a student-athlete's financial aid are set forth in Article 15 of the NCAA manual. A student-athlete may receive financial aid from the university or from sources outside the institution. The institutional financial aid could include those funds based upon the athlete's athletic ability, the athlete's financial aid need, or other programs administered by the institution.

The maximum financial aid a student-athlete can receive is the amount of the institution's cost of attendance. The cost of attendance is an amount calculated by the financial aid office in accordance with federal regulations that includes the total cost of tuition and fees, room and board, books and supplies, transportation and other expenses related to the attendance at the institution. An athlete must receive a written statement indicating the amount, duration, and condition of the award. All athletic financial aid is awarded only for one year.

NCAA legislation establishes a limit on the amount of institutionally administered financial aid that can be awarded in a sport. There are two basic types of sports:

Head Count Sports – These teams are restricted in the number of athletes that can be on scholarship, and each athlete is on full scholarship. For head count sports, each student-athlete is considered a "counter" and the NCAA limits the number of counters in each sport.

Equivalency Sports – These teams have a set number of scholarships but are allowed to divide scholarships between multiple athletes. For equivalency sports, the NCAA financial award limits must be calculated by adding the value of all financial aid awarded to all student-athletes in that sport.

The following is a list of head count and equivalency sports at the University along with the number of scholarships for each sport.

Head-count sports	Men's Basketball	13
	Women's Basketball	15
	Women's Volleyball	12
	Women's Tennis	8
Equivalency sports	Men's Baseball	11.7
	Men's Golf	4.5
	Men's Soccer	9.9
	Men's Swimming	9.9
	Women's Cross Country/Track	18
	Women's Beach Volleyball	8
	Women's Golf	6
	Women's Soccer	14
	Women's Softball	12
	Women's Swimming	14

Football is a program with both head-count and equivalency limits. The overall headcount annual team limit is 85 counters with a limit of 30 initial counters. In addition to the head-count limits, there is an annual equivalency limit of 63 on the value of financial aid awards to counters.

AUDIT OBJECTIVES AND SCOPE

The objectives of the audit were to review the policies and procedures used to administer and monitor the awarding of financial aid to student-athletes in accordance with NCAA legislation. The scope of the audit included the financial aid award for the academic years 2016-17 and 2017-18. Additionally, some issues came to our attention for the 2018-2019 academic year resulting in a limited review of certain areas during this year.

SUMMARY

This report identified improvement is needed in the following areas:

- Ensuring financial aid agreements are complete with all necessary signatures and accurate financial aid amounts.
- Ensuring information reported on NCAA squad lists is accurate.
- Managing student-athlete meal benefits.
- Improving overall institutional control by better monitoring all areas of financial aid compliance through improved supervision and management.

This report also identified three NCAA financial aid violations that were self-reported to the NCAA.



Donna K. Christian, CPA, CGFM,
Director of Internal Audit and Risk Management



Tami Reed, Senior Internal Auditor
Audit Field Work Completed: July 26, 2019

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Financial Aid Agreements

For academic years, 2016-2017 and 2017-2018 the University awarded financial aid to 369 and 363 student-athletes, respectively. We selected 25 student-athletes who received financial aid during at least one of these two academic years and reviewed the financial aid award documentation and calculations for accuracy.

- A. Some financial aid agreements were not properly signed by the Director of Financial Aid, Head Coach and Director of Athletics. Additionally, one baseball financial aid agreement was not signed by the student-athlete. Further, instances were also noted where student-athletes did not sign by the required date. One instance was noted where the student-athlete's signature was not obtained until nearly two months after the required date.

NCAA Bylaw 15.3 requires that student-athletes each receive a written financial aid award statement. These statements should be signed by University personnel responsible for awarding financial aid and the student-athlete. Additionally, they should be signed by the required date.

- B. One of the 25 student-athletes we reviewed was paid \$817 less than the amount on the 2017-2018 financial aid agreement. The underpayment includes a \$600 calculation error that reduced tuition aid and a \$217 calculation error that reduced the stipend payment. The underpayment was not identified and corrected within the 2017-2018 school year. Athletic personnel intend to pay the student athlete in the current school year for the \$817 underpayment. The student-athlete is on the Men's Swimming team.
- C. Thirteen instances were noted where a student-athlete received financial aid in excess of the amount stated on the written financial aid agreement. These additional awards totaled \$20,197 for each of these 12 student-athletes as follows.

Name	Award Year	Sport	Reason - Aid Type	Amount
Student-Athlete #1	2016-2017	Women's Soccer	Room and Board	\$ 8,918
Student-Athlete #2	2016-2017	Women's Soccer	Room and Board	5,229
Student-Athlete #3*	2016-2017	Men's Soccer	Room and Board	2,317
Student-Athlete #4	2016-2017	Men's Soccer	Room and Board	542
Student-Athlete #5	2017-2018	Baseball	Books	568
Student-Athlete #6	2017-2018	Baseball	Books	243
Student-Athlete #7	2017-2018	Football	Books	43
Student-Athlete #8	2017-2018	Men's Golf	Room and Board	200
Student-Athlete #3*	2017-2018	Men's Soccer	Room and Board	829
Student-Athlete #9	2017-2018	Women's Golf	Books	233
Student-Athlete #10	2017-2018	Women's Soccer	Tuition	792
Student-Athlete #11	2017-2018	Women's Soccer	Tuition & Books	260
Student-Athlete #12	2017-2018	Volleyball	Books	23
				\$ 20,197

*Note: A Men's Soccer Student-Athlete received excess award in both years.

Amended financial aid agreements were not prepared for the situations noted above. Preparing amended financial aid agreements that are signed by the student and the appropriate University personnel is best practices to document a change in the financial aid awarded to the student-

athlete. Increasing student-athlete financial aid must be monitored for budgetary purposes and to ensure the sports remain within their equivalency limits outlined in the NCAA Bylaws.

Recommendations:

- A. Ensure all financial aid agreements are signed by the require parties by the specific dates on the financial aid agreements and Bylaws.
- B. Monitor all student-athlete financial aid payments to prevent future underpayments.
- C. Issue amended financial aid agreements when the terms of the financial aid is increased so there is adequate documentation of the financial aid provided to each student-athlete, and to show that financial aid is properly monitored.

Management Responses:

- A. *The Athletic Department agrees with the recommendation and will ensure all financial aid agreements are signed.*
- B. *The repayment of \$817 has been made.*
- C. *The Athletic Department agrees with the recommendation and will issue amended financial aid agreements as applicable.*

2. NCAA Squad List Reporting

The squad lists reported to the NCAA for Baseball, Men's Soccer and Women's Soccer contained errors during the 2016-2017 and 2017-2018 years. Some of the errors included the following:

- A. In 2015, the NCAA amended Bylaw 15.02.5 to redefine Full Grant-In-Aid to include other expenses that may be incurred by the student-athlete besides tuition/fees, room/board and books to be included in the Cost of Attendance. These other expenses were not included in the reported Cost of Attendance for each student-athlete on some of the MSU squad list. For 2016-2017 and 2017-2018 school years, these "other expenses" totaled approximately \$4,000 per student-athlete per year. As a result, the total Cost of Attendance was under reported to the NCAA on some of the University's squad list.
- B. NCAA Bylaw 15.3.2.3 allows the University to use either the actual Cost of Attendance or the average Costs of Attendance in equivalency calculations, as long as the same method (actual or average) is used throughout all equivalency calculations. When reporting squad list data to the NCAA the Athletic Compliance Officer often mixed actual and average costs. For example, during the 2017-2018 school year, 15 of the 25 student athletes reported for Men's Soccer were reported in error.
- C. When reporting data to NCAA for each squad list, the student-athlete's residency and living arrangements must be correctly determined and reported. Whether the student is an in-state or out-of-state student and whether the student-athlete lives on or off campus affects the Cost of Attendance for each student-athlete. Numerous instances were noted where a student-athlete's Cost of Attendance was wrong because the student-athlete's living arrangements or residency was not correctly reported.

Additionally, in 2016 and 2018, the University self-reported squad list errors to the NCAA for mistakenly leaving student athletes off the squad lists. Accurate squad list reporting is necessary for monitoring a variety of NCAA compliance areas.

Recommendation:

Ensure data reported on the NCAA Squad Lists are accurate.

Management Response:

The Athletic Department agrees with the recommendation and will ensure squad lists are accurate.

3. Managing Meal Benefits

Improvement is needed in the management of meal benefits.

- There was a lack of communication between the Athletic Compliance Officer and financial aid personnel on the purchase of meal plans for the Men's Basketball team. Meal plans were purchased through the athletic department budget and not communicated to financial aid personnel. As a result, the student-athlete's financial award account was properly updated for meal benefits.
- A duplicate payment of meal plans occurred for all members of the men's basketball team for the 2018-2019 academic year. The 2018-2019 fall and spring meal plan payment totaling \$11,050 for the men's basketball team was initially paid in August 2018 and paid again in January 2019. Athletic personnel thought the payment made in August 2018 was only for the Fall semester. As a result, they approved a second payment in January 2019 for the Spring semester. Since these payments were not included on each student-athletes financial award account, action had to be taken to add these amounts, and in at least one instance obtain a refund, to ensure the student-athlete's financial aid award did not exceed the cost of attendance.

Meal benefits must be included in each student-athlete's financial aid award to ensure NCAA violations for over awards do not occur. Although NCAA violations did not ultimately result from these two issues, the potential existed for a violation because all student awards for men's basketball were not properly monitored.

Recommendation:

Develop procedures to properly monitor meal benefits and ensure they are properly included on each student-athlete's financial aid award account.

Management Response:

The Athletics Department will no longer purchase meal plans for student athletes. Student-athletes will purchase meal plans with their athletic scholarship stipends through the normal residence life dining service process.

4. Men's and Women's Basketball

- A. During the Spring 2018 semester a women's basketball student-athlete was provided athletic aid totaling \$4,900 but no financial aid agreement could be located. NCAA Bylaw 15.3 requires that student-athletes each receive a written financial aid award statement. The financial aid provided to the student-athlete was also not included in the 2017-2018 squad list reported to the NCAA in accordance with Bylaw 15.5.11.

Additionally, this same student-athlete received \$1,230 in athletic aid to live in an on-campus living facility for the Summer 2018 semester; however, this student-athlete never registered or attended

classes. NCAA Bylaw 15.2.8 allows student-athletes to receive summer financial aid provided the student is attending summer term.

These violations were self-reported to the NCAA after bringing these matters to the attention of athletic administration.

- B. One men's basketball student-athlete, who received \$750 from the University's Dean's scholarship, did not have their financial aid reduced by this amount to ensure their total financial aid did not exceed the total Cost of Attendance. Instead, the \$750 was refunded to the student-athlete in error, resulting in the student-athlete receiving awards totaling \$77 in excess of the Cost of Attendance during the 2016-2017 academic year.

NCAA Bylaw 15.1 limits the total value of all financial aid awards to the total Cost of Attendance. The over award represents a violation which was self-reported to the NCAA after the matter was brought to the attention of athletic administration.

Recommendation:

A&B Improve student-athlete financial aid monitoring to prevent future violations.

Management Responses:

- A. *The Women's basketball violations were reported to the NCAA in August 2019. Steps have been taken to improve student-athlete financial aid monitoring.*
- B. *This violation was reported to the NCAA in August 2019. Steps have been taken to improve student-athlete financial aid monitoring.*

5. Cost of Attendance Calculations

NCAA Bylaw 15.02.2 indicates that the Cost of Attendance is an amount calculated by the institutions Financial Aid Office. Our review noted that both the Athletic Department and the Financial Aid Office calculates the University's annual Cost of Attendance. Consequently, the amounts these two departments calculate differ slightly each year. The Athletic Department should use the Cost of Attendance data reported by the Financial Aid Office as stated in the NCAA Bylaw.

Recommendation:

Utilize the Cost of Attendance data reported by the Financial Aid Office.

Management Response:

The Athletics Department agrees with the recommendation to use the calculated number for all student-athletes regarding tuition and fees, housing and books.

6. Improve Institutional Control

Institutional control over NCAA compliance should be improved. The athletic department was without a compliance officer from October 2018 until July 2019 and these duties were assumed by the Senior Associate Athletic Director/SWA. Although the University employed a compliance officer prior to October 2018 adequate supervision of her work was lacking causing some of the deficiencies noted in this report. Ensuring complete and accurate financial aid agreements, accurately reporting squad list

data to the NCAA, tracking student-athlete living arrangements, and working with University financial aid personnel to manage meal benefits and other aid are just a few of the routine controls that should be in place to maintain adequate institutional control.

Athletic Administration should take steps to improve institutional control of these areas to ensure weaknesses included in this report do not continue to exist.

Recommendation:

Take steps to improve institutional control over NCAA Financial Aid compliance.

Management Response:

The Senior Associate Athletic Director/SWA will work closely with the Compliance Office and the Assistant Athletic Director for Compliance to ensure institutional control over financial aid and work more closely with the Financial Aid Department. Steps have already been taken to help educate the Financial Aid Office liaison on NCAA financial aid and a regular communication line is open.

7. Women's Volleyball

During this audit, allegations of NCAA violations came to the attention of Athletic Administration related to the Women's Volleyball team. The law firm of Spencer Fane, LLP was hired to investigate the allegations. Athletic Administration, Legal Affairs and Compliance, and Internal Audit and Risk Management assisted in the investigation. Spencer Fane, LLP identified three NCAA violations, including a financial aid violation related to free off-campus housing provided to student-athletes. The financial aid finding is not repeated in this audit report and all violations have now been self-reported to the NCAA.

Recommendation:

None.

Management Response:

None.