



# **Grizzly Athletics Financial Review**

June 23, 2022

Report No. 178-22

Office of Internal Audit & Risk Management

# Missouri State University™

W E S T P L A I N S

**DATE:** June 23, 2022

**TO:** Dr. Dennis Lancaster, Chancellor

**CC:** Crockett Oaks, Director of Business and Support Services & Interim Athletic Director  
Jared Phay, Men's Basketball Head Coach  
Paula Wiedemann, Women's Volleyball Head Coach  
Rachael Dockery, General Counsel  
Clifton M. Smart III, University President

**FROM:** Natalie B. McNish, Director of Internal Audit and Risk Management  
Grant Jones, Internal Auditor

## Grizzly Athletics Financial Review

### BACKGROUND

In response to a request by Chancellor Dennis Lancaster, we have completed a financial review of Grizzly Athletic programs at the Missouri State University – West Plains campus.

Varsity athletics programs, including Women's Volleyball and Men's Basketball, were first offered in 1993. Both sports are affiliated with the National Junior College Athletic Association (NJCAA) at the Division One level. The squads compete in Region 16 and play full schedules with teams from throughout the mid-western United States. In addition to the two varsity programs, the campus also operates a Cheer Team.

The Grizzly Booster Club, also formed in 1993, provides community encouragement and support.

### OBJECTIVE AND SCOPE

The objectives were to determine the total financial costs of Grizzly Athletic program operations, the sources of funding which are used to cover those costs, the accuracy of past and current budgeting practices, and other operational practices for efficiency and effectiveness. The scope included, but was not necessarily limited to the five years ended June 30, 2021.

### SUMMARY

We determined the total financial costs of Grizzly Athletic programs was approximately \$850,000 per year and rising; however, management does not have access to timely and complete financial information necessary to make decisions; budgets have not represented prior actual expenses, resulting in annual cost overruns which must be covered by operational funds; some revenues should be optimized and expenses should be reduced; and a more global approach to monitoring should be established going forward.

Financial information including a consolidated financial statement (Exhibit A), and Statement of Revenues and Expenses (Exhibit B) for each of the two major programs are presented at the end of this report.



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Natalie B. McNish, CFE, CGAP  
Director of Internal Audit and Risk Management



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Grant Jones  
Internal Auditor

Audit Field Work Completed: May 13, 2022

## BACKGROUND AND OBSERVATIONS

In October 2021, Dr. Dennis Lancaster, Chancellor, requested a financial review of Grizzly Athletic programs. Specifically, Dr. Lancaster requested we determine the total financial costs of Grizzly Athletic programs, the sources of funding used to cover those costs, the accuracy of past and current budgeting practices, and develop recommendations to assist management in decision making for current and future program offerings.

To address the Chancellor's request, auditors reviewed financial information recorded in numerous funds, organization codes, and accounts. From this review, we determined the total cost of current Grizzly Athletic programs was more than \$4.2 million over the last five completed years, or on average, \$850,000 per year.

### Grizzly Athletic Programs – Total Expenses Five Years Ended June 30, 2021

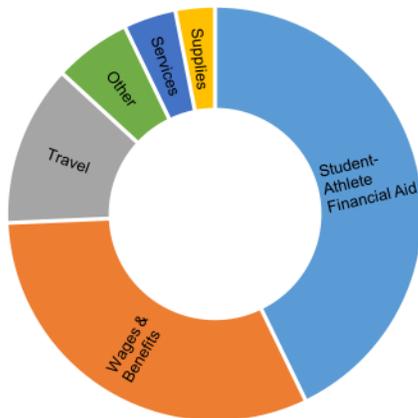
	2021	2020	2019	2018	2017	Total
Student-Athlete Financial Aid	\$ 370,136	380,269	409,976	326,708	327,438	\$ 1,814,527
Wages & Benefits	290,581	288,664	248,684	245,493	256,643	1,330,065
Travel	68,190	125,180	133,363	103,215	106,737	536,685
Supplies	21,880	28,339	29,084	24,652	26,191	130,146
Services	24,510	37,476	34,757	34,063	41,087	171,893
Other	45,928	48,926	57,196	49,531	52,271	253,852
<b>Total Expenses</b>	<b>\$ 821,225</b>	<b>908,854</b>	<b>913,060</b>	<b>783,662</b>	<b>810,367</b>	<b>\$ 4,237,168</b>

Based upon actual expenses and commitments recorded for the year ending June 30, 2022, total expenses for the current year are projected to exceed \$918,000.

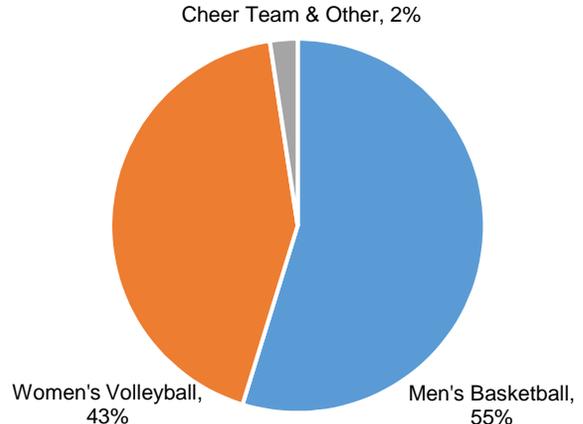
### Year Ending June 30, 2022

	Actual Expenses as of April 30	Recorded Commitments	Total Projected Expenses
Student-Athlete Financial Aid	\$ 346,862		\$ 346,862
Wages & Benefits	285,155	48,800	333,955
Travel	126,378		126,378
Supplies	27,404		27,404
Services	28,982	1,110	30,092
Other	54,033		54,033
<b>Total Expenses</b>	<b>\$ 848,814</b>	<b>49,910</b>	<b>\$ 918,724</b>

**Total Expenses**



**Cost By Program**



The largest area of expense for each year is Student-Athlete Financial Aid at \$363,000 per year, on average. Each student-athlete on the roster for both Men’s Basketball and Women’s Volleyball was provided a full financial aid package in each of the years reviewed. A full financial aid package includes tuition, room, board, and books. On average, this cost is primarily (90 percent) funded through the West Plains Operating Fund, and partially funded through Grizzly Athletic Booster contributions to the Foundation (6 percent) and designated Grizzly Fund (4 percent).

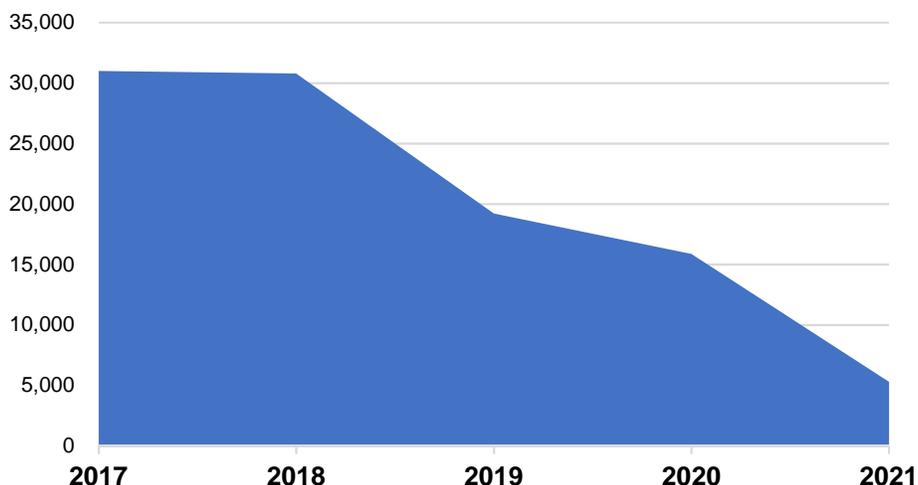
### Student-Athlete Financial Aid Sources



We also noted an increase in total expenses of nearly \$100,000 during the current year ending June 30, 2022. This is directly related to increases in wages and related benefits and increased travel expenses. We anticipate wages and benefit expenses to continue to increase in alignment with the Board of Governors initiative to ensure wages are competitive. The increase in travel expenses is directly related to the easing of travel restrictions related to the COVID-19 pandemic. During all years reviewed, athletic teams traveled using charter buses. However, after the completion of the 2022 seasons, the West Plains campus utilized federal funding provided through the Higher Education Emergency Relief Fund to purchase a 44-passenger bus. This bus allows for social distancing when transporting students to various events, including transporting student-athletes to games. It is anticipated this new asset will help reduce travel related expenses.

Revenues resulting from Grizzly Athletic programs include ticket sales, sponsorships, and fundraising activities. Outside support of these programs has diminished during the five completed years ended June 30, 2021.

### Grizzly Athletic Program Related Revenue



During the current year ending June 30, 2022, total revenues increased to \$26,955; however, this was determined to reflect a realignment of revenues and is not believed to show an increase to program revenue.

A review of budgeting practices identified expenses for the current program offerings have been historically under-budgeted by an average of \$150,000 per year. These budget overruns have been funded from Operating Fund sources. Budget to actual analysis for the two major programs is noted below:

Year Ended	Men's Basketball			Women's Volleyball			Total Difference
	Budgeted Expenses	Actual Expenses	Difference	Budgeted Expenses	Actual Expenses	Difference	
6/30/2020	\$325,856	\$429,674	\$(103,818)	\$328,907	\$370,849	\$( 41,942)	\$(145,760)
6/30/2021 <sup>1</sup>	\$337,885	\$399,589	\$( 61,704)	\$350,921	\$337,436	\$( 13,485)	\$( 75,189)
6/30/2022	\$331,183	\$458,111 <sup>2</sup>	\$(126,928)	\$353,619	\$447,208 <sup>2</sup>	\$( 93,589)	\$(220,517)

<sup>1</sup>Programs were impacted by the COVID-19 pandemic during the year ended June 30, 2021.

<sup>2</sup>Actual Expenses as of April 30, 2022 plus recorded commitments

To address this issue, management has increased the total athletics budget by \$128,000 and have planned reductions in other areas such as travel for the year ending June 30, 2023.

Looking forward, the Grizzly Athletic programs are expanding to add a Division II Women's Softball team and E-Sports during the 2023 academic year. In addition, the campus opened a position for an Athletics Director in May 2022. While these additions will increase costs, they are expected to also increase student enrollment and community support which are not measured in the above analysis.

# RECOMMENDATIONS AND MANAGEMENT RESPONSES

## 1. Financial Monitoring

Members of management do not currently have access to timely and complete financial information for planning and monitoring of specific programs or the department overall. The comprehensive and program specific financial information documented above and in exhibits A and B were built using information recorded in 30 different funds, including the West Plains Operating Fund, 12 Designated "B" Funds, and 23 Foundation Funds), and 12 different organization codes. Due to the number of funds and organization codes used, it is not possible to obtain a complete financial picture using the reporting offered by the Banner system.

As management moves forward with decisions to add additional programs to the Grizzly Athletics Department, and continues to monitor existing program expenses, access to timely, reliable and comprehensive financial reporting is required.

### Recommendations

Develop comprehensive financial reports for each program and the Grizzly Athletic Department which can be easily accessed by necessary members of management in future planning and monitoring activities.

### Management's Response

*Management acknowledges the report and thanks the Internal Auditor and her office staff for their work to generate this information and to formally articulate concerns. Management will ultimately develop a "budget dashboard" for Head Coaches and management at all levels can easily access available financial information at any given time. Until a dashboard can be developed, management will utilize an Argos report to monthly pull operational budget information as well as pertinent and timely Foundation account balances for a monthly review with Head Coaches.*

## 2. Budgeting Practices

Management has historically under-budgeted expenses attributed to the Grizzly Athletic programs by an average of \$150,000 per year. Action has been taken to correct this in the West Plains Operating Fund budget for the year ending June 30, 2023, by increasing the budget by \$128,000 and reducing other expense categories. While this may address the issue in this specific budget year, without altering the method in which budgets are developed and developing a process for continual budget to actual expense monitoring, this issue may reemerge overtime.

Those charged with responsibility to set budget thresholds should be required to review and analyze actual expenses from at least the prior two completed years and budgeted expenses from the current year when establishing the future budget thresholds. This provides a clear picture of areas where budget thresholds are not adequate for operations.

In addition, management should ensure those charged with the fiscal responsibility of each program has access to and a clear understanding of the responsibility to monitor budget to actual reports for each applicable area. Without continuous monitoring, decisions which may change the financial picture of the program cannot be made in a timely manner and therefore may not have the intended impact.

### Recommendations

Require analysis of prior and current year budgeted and actual expenses when establishing future budgets and ensure management has access and knowledge needed to monitor budget vs. actual expenses on a continual basis.

### Management's Response

*The athletic program at the West Plains campus began in 1993 with a great deal of promised community support for the operational needs of providing two NJCAA Division I sports on an ongoing basis. Institutional budgeting practices since then have relied on anticipated funding coming from community support (i.e., fundraisers, membership fees, scholarship endowments, etc.) even after such support has dwindled. Adjustments to transparently acknowledge all necessary funds needed to support the program are in process. In addition, through the use of this audit report as well as its own analyses during the course of this past fiscal year, management is considering all available options for change to the athletics program that will result in a decreased financial burden, especially in the NJCAA Division I sports of women's volleyball and men's basketball.*

### **3. Revenues & Expenses**

West Plains Grizzly Athletic Program management must make a concerted effort to increase revenues and decrease expenses to benefit current and future programs.

While athletic programs should not be expected to generate operating revenue to supplement academic programs, or even be self-sufficient, our review of revenues attributed to these programs identified a decrease in total revenues earned of approximately \$25,000 between the years ended June 30, 2017 and 2021. This indicates there may be additional revenue sources not currently pursued which ought to be considered.

In addition, expense management should be a priority of the management team. Actions already taken to purchase the new 44-passenger bus are anticipated by management to save the athletic teams approximately 40 percent in comparison to the costs of charter buses. This is a great step in the right direction, but more work must be done to develop sustainable programs. For example, all Division I student-athletes are awarded "full-ride" financial aid packages, which covers all costs associated to tuition, room, board, and books. As noted above, this area is 90 percent funded by the University's operating fund budget. While this is a great benefit to our students, it is not sustainable.

Also, management should develop procedures to ensure textbooks are returned to the Drago College Store so the buyback value can be credited to the supply budget. In the Spring semester of 2022, the Drago College Store began charging the cost of textbooks issued to student-athletes to the associated athletic program's budget. Prior to this semester, those costs were absorbed by the store itself. The program calls for a credit upon the return of the books. However, the books were never returned and therefore, no credit was issued.

### **Recommendations**

Develop strategies to increase program revenues and decrease associated program costs.

### **Management's Response**

*Management is committed to develop realistic budgets and plan expenditures according to budget provisions for all existing sports programs and for any new sport that may be added in the future. New revenue sources and strategies will continue to be explored and developed for program support.*

### **4. Continued Monitoring**

While this financial review has provided management with the answers to the specific questions asked, management would gain a more complete understanding using a more holistic approach to continued monitoring. One example of a holistic approach to continued monitoring is a balanced scorecard. A balanced scorecard is a performance measurement tool which uses both financial and non-financial metrics to monitor performance. The overall focus of each area is set by a mission statement and then the organization should establish at least four key areas for measurement. Those areas should include financial performance, customer or stakeholder satisfaction, internal processes, and learning or growth strategies.

Management should define metrics to monitor the performance of each area selected, establish goals, and track progress toward those goals.

**Recommendations**

Develop and utilize a holistic approach to monitoring and reporting Grizzly Athletic performance.

**Management's Response**

*Once selected, the full-time Athletic Director will begin to develop the appropriate measures to utilize a holistic monitoring approach.*

## Exhibit A

## Grizzly Athletics

### Consolidated Financial Statement

	Years Ended June 30,				
	2021	2020	2019	2018	2017
<b>Revenues</b>					
Tickets Sales	\$ 2,492	11,367	6,648	7,845	7,575
Tournament Fees	300	0	900	900	600
Fundraising	1,500	1,000	10,655	7,955	5,520
Sponsorships	1,000	3,500	1,000	14,075	17,300
<b>Total Revenue</b>	<b>\$ 5,292</b>	<b>15,867</b>	<b>19,203</b>	<b>30,775</b>	<b>30,995</b>
<b>Expenses</b>					
Scholarships	\$ 370,136	380,269	409,976	326,708	327,438
Wages & Benefits	290,581	288,664	248,684	245,493	256,643
Travel	68,190	125,180	133,363	103,215	106,737
Supplies	21,880	28,339	29,084	24,652	26,191
Services	24,510	37,476	34,757	34,063	41,087
Other	45,928	48,926	57,196	49,531	52,271
<b>Total Expenses</b>	<b>\$ 821,225</b>	<b>908,854</b>	<b>913,060</b>	<b>783,662</b>	<b>810,367</b>
<b>Net Operating Revenue (Expense)</b>	<b>\$ (815,933)</b>	<b>(892,988)</b>	<b>(893,856)</b>	<b>(752,886)</b>	<b>(779,372)</b>
<b>Contributions</b>					
Operating Fund	\$ 743,480	794,119	811,837	650,826	674,179
Grizzly Fund	24,874	53,868	43,650	65,593	62,292
Designated Foundation Funds	47,579	45,001	38,369	36,467	42,901
<b>Total Contributions</b>	<b>\$ 815,933</b>	<b>892,988</b>	<b>893,856</b>	<b>752,886</b>	<b>779,372</b>

## Men's Basketball

### Statement of Revenues & Expenses

Revenues	Years Ended June 30,				
	2021	2020	2019	2018	2017
Tickets Sales	\$ 1,962	10,298	4,705	6,382	2,717
Booster Funds	15,680	30,030	26,290	39,150	36,540
Fundraising	1,500	1,000	100	825	0
Sponsorships	0	2,500	0	8,825	6,075
<b>Total Revenue</b>	<b>\$ 19,142</b>	<b>43,828</b>	<b>31,095</b>	<b>55,182</b>	<b>45,332</b>
Expenses					
Scholarships	\$ 226,630	229,535	238,992	216,157	182,689
Wages & Benefits	132,189	137,541	119,312	119,584	128,243
Travel	37,435	60,089	72,597	53,259	45,827
Supplies	9,587	14,833	12,962	12,837	13,170
Services	13,765	19,085	18,077	19,560	19,531
Other	19,369	21,248	26,466	21,045	23,672
<b>Total Expenses</b>	<b>\$ 438,974</b>	<b>482,331</b>	<b>488,405</b>	<b>442,443</b>	<b>413,132</b>

## Women's Volleyball

### Statement of Revenues & Expenses

Revenues	Years Ended June 30,				
	2021	2020	2019	2018	2017
Tickets Sales	\$ 530	1,068	1,943	1,463	4,859
Tournament Fees	300	0	900	900	600
Fundraising	0	0	9,355	7,130	5,000
Sponsorships	\$ 0	0	0	4,250	11,225
<b>Total Revenue</b>	<b>830</b>	<b>1,068</b>	<b>12,198</b>	<b>13,743</b>	<b>21,684</b>
Expenses	\$				
Scholarships	143,506	150,734	170,984	110,552	144,749
Wages & Benefits	157,366	149,777	127,128	122,680	125,818
Travel	30,756	65,092	60,363	48,623	59,065
Supplies	10,310	7,813	10,669	7,645	10,065
Services	10,746	10,539	11,412	6,227	10,211
Other	\$ 16,467	16,679	16,928	16,195	14,611
<b>Total Expenses</b>	<b>369,150</b>	<b>400,633</b>	<b>397,484</b>	<b>311,921</b>	<b>364,519</b>