



**Missouri
State**
UNIVERSITY

NCAA Complimentary Tickets

June 22, 2023

Report No. 184-23

Office of Internal Audit & Risk Management



Missouri State[™]

U N I V E R S I T Y

DATE: June 22, 2023

TO: Kyle Moats, Director of Athletics
Casey Hunt, Senior Associate Director of Athletics/SWA
Tuamafa 'Tua' Reilly, Assistant Director of Athletics Compliance

CC: Rachael Dockery, General Counsel
Zora Mulligan, Executive Vice-President
Clifton M. Smart III, University President

FROM: Natalie B. McNish, Director of Internal Audit and Risk Management
Arti Arti, Internal Auditor

NCAA Complimentary Tickets

BACKGROUND

The Office of Internal Audit and Risk Management determined rotational audits of athletic programs were necessary to effectively monitor associated compliance and operational risks. Twelve categories were identified as potential risk areas and audits of each category will be completed for both the Springfield and West Plains athletic programs.

As a member of the National Collegiate Athletic Association (NCAA) Division I, Missouri State University has an obligation to ensure overall compliance with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics programs. NCAA bylaw 13 & 16 regulate the number of complimentary tickets afforded to each student athlete, high school coach, or prospect athlete. In addition, the University has established additional allowances for university coaches to receive complimentary tickets which are outlined in their employment agreements.

OBJECTIVE AND SCOPE

The objectives were to review compliance with applicable NCAA rules, documented policies and procedures, employment contracts, and widely accepted business practices as they apply to complimentary tickets. The scope of the review was limited to the year ended December 31, 2022.

SUMMARY

Improvement is necessary to document compliance with applicable NCAA rules regarding complimentary tickets provided to student athletes at away and post-season games. In addition, season tickets issued to university coaches should be reported to Financial Services and included in the calculation of taxable income.

Management has accepted all recommendations and has plans to make those changes in the near future.



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



Arti Arti
Internal Auditor

Audit Field Work Completed: May 15, 2023

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Complimentary Tickets for Away and Post-Season Games

The NCAA requires Intercollegiate Athletics to track the number of complimentary tickets issued to each student athlete, prospective student athlete, or unaffiliated coach (e.g., High School Coach) using a "pass list." This document, required by NCAA bylaw 13.7.3.1, 13.8.1, and 16.2.1.2, identifies the number of complimentary tickets issued, to whom they were issued, and which athlete or purpose justified the complimentary status. In our review of home games, we found clear documentation was maintained and commend the athletics and ticketing staff for their diligence to ensure compliance in this area. However, the pass lists maintained for away and post-season games were not always complete or sufficiently detailed to demonstrate the same level of compliance with the applicable bylaws.

2. Reporting of Complimentary Season Tickets

Some coaches are provided complimentary tickets to all home athletic games for specific sports as compensation per their employment contracts. These complimentary tickets are issued as season tickets by the box office and are not currently reported to Financial Services for inclusion as taxable gross income. According to IRS 26 CFR § 1.132-6(e)(2), "... fringe benefits that are not excludable from gross income as de minimis fringes are: season tickets to sporting or theatrical events." To ensure compliance with IRS regulation, Athletics should report season tickets provided to coaches or any other employee to Financial Services.

Recommendation

We recommend Intercollegiate Athletics:

1. Improve procedures to ensure pass lists are complete and sufficiently detailed.
2. Report all complimentary season tickets issued to employees to Financial Services.

Management's Responses

We agree with both recommendations and will ensure processes/procedures are in place to ensure compliance and will also ensure season tickets are reported to financial services.