



# **NJCAA Recruiting & Complimentary Tickets**

June 22, 2023

Report No. 185-23

Office of Internal Audit & Risk Management

# Missouri State University™

W E S T P L A I N S

**DATE:** June 22, 2023  
**TO:** Russell (Rusty) Laverentz, Athletics Director  
**CC:** Dr. Dennis Lancaster, Chancellor  
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

## **NJCAA Recruiting & Complimentary Tickets**

### **BACKGROUND**

The Office of Internal Audit & 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 (NCAA) and West Plains (NJCAA) athletic programs.

As a member of the National Junior College Athletics Association (NJCAA) Division I, Missouri State University – West Plains has an obligation to ensure overall compliance with the applicable rules and regulations of the Association in the operation of its athletic programs. The University recruits both domestic and international student athletes for athletic programs using both on- and off- campus activities. In addition, and as allowed by NJCAA rules, each student athlete is allowed two complimentary tickets per event.

### **OBJECTIVE AND SCOPE**

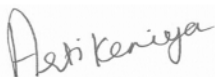
The objectives were to review compliance with applicable NJCAA rules and other compliance requirements as well as widely accepted business practices. The scope of the review was limited to athletes recruited and athletic events held between July 1, 2022, and May 31, 2023.

### **SUMMARY**

We recommend the athletics department provide rules education training for all coaches, develop procedures to issue and track complimentary tickets issued to student athletes, and report season tickets issued to employees to Financial Services and included in the calculation of taxable income.



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



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Internal Auditor

Audit Field Work Completed: May 26, 2023

# OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

## 1. NJCAA Rules Education

Formal rules education training has not been provided to coaches during the scope of this audit. As a member of the National Junior College Athletics Association (NJCAA), the University has an obligation to ensure overall compliance with the applicable rules and regulations of the Association in the operation of its athletic programs. Without proper education of applicable rules and the University's adopted procedures to perform required tasks in compliance with those rules, the University is less able to prove its compliance which could result in various penalties and adverse consequences.

### Recommendations

Provide formal rules education training for all coaches to ensure all members of the athletics team have equal understanding of both the rules and the University's expectations for compliance.

### Management's Responses

*The following response was provided by Rusty Laverentz, Athletic Director:*

*"We are going to have a rules meeting in the beginning of August before the school year starts to go over any new rules that the NJCAA has approved and review the ones that affect us the most often. If any new rule is put into effect during the year, I will inform the coaches of it via email and in person."*

## 2. Complimentary Tickets

Some improvement is necessary to ensure compliance with complimentary tickets.

### A. Reporting of Complimentary Season Tickets issued to Employees

Some coaches are provided complimentary tickets to all Grizzly Athletic events 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 regulations, Athletics should report season tickets provided to coaches or any other employee to Financial Services.

### B. Tickets issued to Student Athletes

Athletics has not adopted procedures to ensure compliance with Article VI, Section 1.B.4.f, which allows institutions to provide up to four complimentary admissions to each student-athlete for the sport in which the individual participates. We were unable to identify anyone who knew exactly how student-athletes currently receive complimentary tickets. However, it is believed that student-athletes may follow the same procedure established for any non-student athlete who would like complimentary tickets. This procedure would provide two tickets to any home event and those tickets would be issued through the Drago College Store. To receive these tickets, a student would have to show identification and complete a form which tracks the tickets issued. This form documents the date of issuance, student's name, number of tickets issued, clerk who issued the tickets and a place for the student to sign showing acceptance of the tickets. This documentation and procedure would be considered sufficient for compliance; however, these documents were not able to be located for our audit period.

## **Recommendations**

- A. Report all complimentary season tickets issued to employees to Financial Services.
- B. Develop procedures for the issuance of complimentary tickets to student-athletes and ensure documentation showing compliance is maintained.

## **Management's Responses**

*The following responses were provided by Rusty Laverentz, Athletic Director:*

- A. *"I was unaware of this, and we will be keeping track of this better. We will make a report at the end of every sports season and will keep that report on file."*
- B. *"I will talk with our Student Life Coordinator to make sure they are having students sign off for their tickets for each game and turning that form into me after each game. For the student/athletes who get 4 complimentary tickets I will develop a form that they will fill out two days before each game with the names of the people who are receiving their comp tickets. That form will be at the gate for those people to sign off on and at the end of the game that form will be collected and kept on file."*