



The 1985 NCAA financial audit legislation : is it working, from college and university presidents' perspective ?

by Thomas Harrison Gibson, Jr

A thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Education
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Abstract:

In 1985, the Presidents' Commission of the National Collegiate Athletic Association (NCAA) proposed legislation to address the concerns of member institution presidents regarding the loss of institutional financial control over the athletic programs. The legislation was the hallmark of the 1985 NCAA special convention, and institutional presidents and chancellors voted almost unanimously to accept and implement the legislation. It required an annual independent audit of all revenues and expenses received for or expended in behalf of the intercollegiate athletic program. This research was conducted to evaluate whether the NCAA financial audit legislation adequately addressed and resolved the issues and concerns associated with the loss of institutional financial control over athletic programs, as judged by the member institution presidents.

Information and data for this research was gathered using a custom written survey which was sent to all NCAA Division I school presidents. The information solicited in the survey included financial, operating practices, compliance actions, and presidential opinions on the annual NCAA financial audit, its use, and its cost. Analysis of the data was conducted using the Chi-square analytical technique, and ranges and mean figures were shown where appropriate. The results were presented in Tables by NCAA Division Classification in most instances. The Chi-square tests were tests of independence involving fourteen dependent variables and three independent variables.

Of the 42 Chi-square tests, three were found to have statistical significance at the 5% error level. Given the 5% error rate used, one would expect at least two findings of statistical significance simply by chance alone. Since Chi-square testing does not allow the determination of any conclusions other than the presence of statistical significance, further analysis is necessary to determine whether the findings did occur by chance alone. Generally speaking, it appears that the existing financial audit legislation has accomplished its intended purpose, though a degree of concern about the loss of institutional financial control still exists among the presidents. The audit report also generally serves its purpose as accurate, timely, complete, and understandable. However, it too has weaknesses which lend themselves to further study and correction, as well as potential for expansion to address reporting requirements raised by the NCAA in recent years.

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Date 12 April 92

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ABSTRACT

In 1985, the Presidents' Commission of the National Collegiate Athletic Association (NCAA) proposed legislation to address the concerns of member institution presidents regarding the loss of institutional financial control over the athletic programs. The legislation was the hallmark of the 1985 NCAA special convention, and institutional presidents and chancellors voted almost unanimously to accept and implement the legislation. It required an annual independent audit of all revenues and expenses received for or expended in behalf of the intercollegiate athletic program. This research was conducted to evaluate whether the NCAA financial audit legislation adequately addressed and resolved the issues and concerns associated with the loss of institutional financial control over athletic programs, as judged by the member institution presidents.

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Of the 42 Chi-square tests, three were found to have statistical significance at the 5% error level. Given the 5% error rate used, one would expect at least two findings of statistical significance simply by chance alone. Since Chi-square testing does not allow the determination of any conclusions other than the presence of statistical significance, further analysis is necessary to determine whether the findings did occur by chance alone. Generally speaking, it appears that the existing financial audit legislation has accomplished its intended purpose, though a degree of concern about the loss of institutional financial control still exists among the presidents. The audit report also generally serves its purpose as accurate, timely, complete, and understandable. However, it too has weaknesses which lend themselves to further study and correction, as well as potential for expansion to address reporting requirements raised by the NCAA in recent years.

CHAPTER I

ISSUE INTRODUCTION AND BACKGROUND

Intercollegiate athletics represent a significant business at many of the nation's institutions of higher education, both in terms of revenues and expenditures, as well as in the number of people directly and indirectly involved in the athletic operations. Beginning in the 1970's, the steadiness and intensity of resource consumption associated with intercollegiate athletic programs had escalated in almost an exponential fashion. During the early 1980's, many collegiate athletics programs were expanded by adding new sports, hiring more personnel, and extending the opportunity of sports participation to a larger and larger number of student athletes. (Raiborn, 1990)

With the advent and acceptance of televised sports, the statement made by former coach of the Green Bay Packers, Vince Lombardi, "Winning isn't everything, it's the only thing," has come to have even greater meaning and importance, even at the collegiate level. It is rare that anyone remembers who finished second in a major sports competition, an important issue when competition for scarce resources is growing. The direct economic implications of managing an intercollegiate athletic program are of great significance to college and

university administrators, if for no other reason than that stated earlier. That is, nationally those sports programs collectively employ thousands of individuals and involve significant annual expenditures and investments in physical facilities. (Raiborn, 1990)

Numerous books have been written about intercollegiate athletics, and one widely read was written almost fifteen years ago. In his 1976 best seller Sports in America, author James Michener devoted an entire chapter to college and university sports, addressing financial concerns and abuses in football and basketball programs in particular. He selected these sports for review and comment because, "those are the areas in which our academic institutions face their most pressing moral and financial problems, and in which, during a time of financial stringency, they cannot escape making certain value judgments." (p. 219)

It should be noted that while Michener's research and study for Sports in America may not have been scientifically valid, his familiarity with sports programs is extensive and his research into his novel subject matter is generally accepted as exhaustive. While the moral issues cited by Michener were many, this paper will deal more exclusively with the representative financial issues raised, how they were addressed by the NCAA member presidents, and whether the actions taken were successful in addressing and resolving the financial problems.

When Michener focused upon one specific fictional but representative institution which he said epitomized the current intercollegiate athletic scene, he noted among other things that at the make-believe school, "...attendance at the stadium was growing, but the budget faced increasing trouble. Basketball prospered, but minor sports were threatened with elimination. And, the hysteria with which the citizens idolized their teams was representative of general American attitudes." (p. 220)

As an example of the many financial activities gone awry at this fictional representative school, he noted specifically the half million dollars given to the popular coach by the boosters to do with as he pleased, and the extensive donations of labor and materials to build a massive press box for the institution. He also noted the million and a half dollars provided by donors to construct an athletic dormitory or 'Hilton' as it was referred to, and the use of a fleet of five jets provided by a donor for the use of the coaches throughout the year, worth in excess of five million dollars had the jets actually been purchased and operated by that make-believe school.

Michener noted that the collegiate players were paid well by enthusiastic supporters, tutors were found and paid when needed, summer employment was always found, and well paying jobs for the players' wives were no problem. Though the Head Coach's salary was reflected in the institutional records as

very appropriate and acceptable, his related outside income as a result of being the Head Coach boosted his net worth to close to two million dollars. It was also noted by Michener that the administration from this representative institution recognized the ironic financial position the institution was placed in as a result of fielding a winning team. As long as the team had the resources to win and attend a bowl game, the institution benefitted from garnering an additional income of nearly a million dollars, something no institution would willingly give up.

As Michener discussed the similar dilemmas faced by other institutions under pressure to field winning sports programs and to move into the big conferences, he also spoke about the effect on other institutions which simply could not muster the financial resources or the external support to fairly compete. For one of these representative institutions he noted, "Common sense dictated that football be dropped. But a group of nostalgic alumni would not permit it; they'd finance one last shot. Promises were made; funds that did not exist and never would exist were earmarked; and a dynamic promoter was hired and given unusual powers as athletic director." (p. 264)

Once again, finances became the hub of activity, and one must ask whether the institutional president was really aware of what all was going on in the various athletic programs, whether he knew the extent of resources being provided to the athletic programs and by who, and whether he had any idea of

how those resources were being used and what the monies were being spent on. It would seem to be a difficult if not an impossible task for an institutional president to be fully aware of all the activity in the athletic programs which resulted in outside resources being provided, and the use of those resources, both internally and externally.

At the same time that many institutional presidents were becoming more and more uneasy with the exponential growth and loss of control over their institutional athletic programs, the national media was having a heyday with their focus on athletic scandals in higher education. The costs of higher education were escalating, but the public appeared to be focused on the varied abuses occurring within well-known higher educational intercollegiate athletic programs.

In a manner somewhat synonymous to the scenario portrayed by Michener, a growing group of institutional presidents experienced what they collectively believed was a serious loss of financial control of their intercollegiate athletic programs in the early 1980's. There was a reluctance by some of the presidents to fully recognize and report the extent of the outside financial and other resources being provided in support of intercollegiate athletics programs, driven by the fear that fiscal legislative support might be reduced to the same extent. To compound the issue, they often did not truly know the sources or the full extent of the outside resources being provided to their institution's athletic programs.

At the same time, the internal struggle for institutional resources between the athletic programs and the academic programs escalated, and numerous athletic programs totally withdrew or distanced themselves from their institutions and were re-established as associated non-profit corporations. This further removed these athletic programs from control by the institutional presidents. There were significant funds involved in the intercollegiate athletic programs, they were coming from a host of both internal and external sources which were often difficult to specifically identify, and this loss of control over intercollegiate athletic program spending represented a growing source of frustration for the institutional presidents, as well as for the National Collegiate Athletic Association (NCAA). (NCAA Presidents' Commission notes)

The National Collegiate Athletic Association (NCAA)

The NCAA is an organization whose defined purpose in the NCAA Manual is, "...to maintain intercollegiate athletics as an integral part of the educational program and the athlete as an integral part of the student body and, by so doing, retain a clear line of demarcation between intercollegiate athletics and professional sports." (p.4) Membership in the NCAA is voluntary for institutions, except that participation in any NCAA-governed sports activities may only occur between member institutions.

There are four classifications of membership within the NCAA, strictly governed by specific eligibility standards and conditions of membership set forth by the NCAA. The NCAA has promulgated the "bible" for intercollegiate athletics activity for member institutions in the NCAA Manual, published annually by the NCAA. The NCAA Manual includes the Constitution, the Operating Bylaws, the Administrative Bylaws, and the structure of the NCAA and Administrative Organization, with each section entailing detailed rules and guidelines.

Article 2 of the NCAA Constitution, Section 2.1.1 under the title **Responsibility for Control**, currently states that, "It is the responsibility of each member institution to control its intercollegiate athletics program in compliance with the rules and regulations of the Association. The institution's Chief Executive Officer/President (referred to hereafter as President, except where specifically quoted) is responsible for the administration of all aspects of the athletics program, including approval of the budget and audit of all expenditures." (p.3) This concept is further expanded in Section 6.2 of the NCAA Manual, entitled **Budgetary Control**. Ultimately, the following section of this paper will entail a discussion of the **Budgetary Control** section of the NCAA Manual, where the focus of this research paper rests.

Section 4.5 of the NCAA Manual sets forth the provisions for the Presidents' Commission of the NCAA, including the composition, eligibility, and duties and responsibilities.

This Commission was established in January 1984 at the annual NCAA convention. Among other things, the current 44 members of the Commission must be institutional Presidents. The makeup of the representatives from the various NCAA Divisions is clearly defined in the NCAA Manual. Included in the duties and responsibilities of the Commission are: 1) the ability to commission the study of issues and courses of action to address intercollegiate athletics, 2) the ability to propose NCAA legislation to any NCAA Convention, 3) the ability to establish the final sequence of legislative proposals in any Convention agenda, and 4) the ability to call for a special meeting of the Association. (p.23) Thus, the Presidents' Commission has significant legislative power over NCAA member institutions.

Article 5 of the NCAA Constitution addresses legislative authority and process. Section 5.01.1 states that "All legislation of the Association that governs the conduct of the intercollegiate athletics programs of its member institutions shall be adopted by the membership in Convention assembled, shall be consistent with the purposes and fundamental policy set forth in [Article] 1, and shall be designed to advance one or more principles such as those set forth in [Article] 2." (p. 27)

A "dominant legislative provision" is defined in Section 5.02.1.1 of the Manual as "a regulation that applies to all members of the Association and is of sufficient importance to

the entire membership that it requires a two thirds majority vote of all delegates present and voting in joint session at an annual or special Convention." (p. 27) This becomes a key issue later in this paper when the NCAA annual financial audit legislation is discussed.

The NCAA Legislated Solution to the Problem

Recognizing the growing concerns over intercollegiate athletic program scandals and the loss of institutional financial control over the athletic programs themselves, the NCAA Presidents' Commission sought to propose legislation which would address these related issues through a series of institutional financial controls. This was a pressing issue and was one of the first substantial tasks of the Presidents' Commission.

On October 3, 1984, the Institutional Control and Integrity Subcommittee of the Presidents' Commission met in Kansas City, Missouri. The subcommittee charge was reviewed by the committee Chair, and the current consideration for discussion was slated as being the effort needed to resolve the issues of institutional control and integrity currently facing member institutions. (Commission Minutes, October 3, 1984)

In a written statement by the NCAA Executive Director, it was noted that one of the principle concerns of the NCAA member Presidents was that the repeated and highly publicized

violations of governing legislation by institutions involved in intercollegiate athletics could undermine the integrity of higher education in a uniquely devastating manner. He noted also that the fundamental issue before higher education seemed identifiable as one of integrity, of the moral commitment to honesty and sincerity of action in intercollegiate athletics. (October 3, 1984 Meeting Minutes)

The subcommittee also discussed a report prepared by two independent higher education faculty members, the Wright-Remington report, which was largely focused on the enhancement of institutional control and observance of NCAA legislation. The report noted that the erosion of institutional control of athletic programs was due in part to the growing problem of generating sufficient revenue to support the programs. It was suggested in the Wright-Remington report that dependence on outside funds be reduced and that the institutions should monitor carefully all revenues from donors and booster groups and assure that such revenues are audited and controlled. (October 3, 1984 Minutes)

In an ensuing discussion by the subcommittee, the Minutes reflect that "...the subcommittee members agreed that the source and control of funds utilized for intercollegiate athletics programs was an important issue for consideration in determining means of establishing institutional control and integrity. General agreement was expressed for the principle that all funds utilized to support a member institution's

athletics program should be subject to the direct control of the institution." (October 3, 1984 Minutes) The subcommittee members agreed to recommend that the Presidents' Commission sponsor legislation (if feasible) at the 1985 NCAA Convention to require that all income and expenditures for athletic programs flow through the institution's regular operating budget, under the direct control of the President and other institutional administrative officers, and that such funds be audited as are all other accounts of the institution. (October 3, 1984 Minutes)

Interestingly, the subcommittee's discussion on institutional self-study and accreditation in the Finance section of the NCAA publication entitled "Evaluation of Intercollegiate Athletics" reflected a very similar position that all expenditures for and income from athletics, from whatever source, should be controlled by the institution and included in its regular accounting and budgeting procedures. It also suggested that funds used to support all athletic programs should be fully controlled by the administration and should be reflected in an annual audit of the institution's financial records. (October 3, 1984 Minutes)

On October 4, 1984, the full Presidents' Commission convened to hear and discuss the various reports of the Commission subcommittees. It was stated in this meeting that, "...the charge to the Institutional Control and Integrity subcommittee may be the most important to be faced by the

Presidents' Commission." (October 4, 1984 Minutes) After the presentation of the recommendation previously cited by the subcommittee and the ensuing discussion, it was voted by the Commission membership, "...that the Commission sponsor legislation as recommended." (October 4, 1984 Minutes)

The subcommittee again met on April 4, 1985 to discuss the legislation proposed to address those related issues discussed earlier in 1984. The minutes of the meeting reflect that the full subcommittee favored sponsorship of two specific amendments to [Article] 3.2 of the NCAA Constitution. One amendment would require that a member institution's annual budget for intercollegiate athletics be controlled by the institution, subject to its normal budgeting procedures, including approval by the President. The other would require an annual audit of all expenditures for an institution's entire intercollegiate athletics program by an individual from outside the institution, to be selected by the President. The subcommittee also recommended that these proposals be among the first listed in the Official Notice of the upcoming NCAA special Convention. (April 4, 1985 Minutes)

During a meeting of the Presidents' Commission in Washington, D.C. on April 3-4, 1985, the NCAA Assistant Executive Director for Legislative Services presented and explained the 15 proposals slated for consideration at the upcoming NCAA Special Convention. The Minutes of the meeting refer to only one comment made by the general membership

regarding the financial legislation previously cited. One institutional President suggested that the three related issues of financial accountability, habitual violations by individuals, and the role of the President in hiring and dismissing coaches should all be treated by the special Convention. (April 3, 1985 Minutes)

On April 4, 1985, during the general Commission meeting, the aforementioned proposals were discussed, and it was noted that all three Commission subcommittees favored sponsorship of the two proposed financial amendments by the Institutional Control and Integrity subcommittee. The Minutes of the meeting reflect a further expansion and clarification of the proposed legislation in that, "It was voted that the Commission sponsor both amendments and that the second be modified to specify that the audit would be conducted by a CPA or other qualified auditor from outside the institution." (April 4, 1985 Minutes)

The Commission also agreed that all of its proposals should be voted upon by roll call, in part to demonstrate that the upcoming special convention was a "very special" kind of Convention. The Minutes reflect the true and exact nature of the special Convention in the statement of one of the Commission members who said, "...the Convention was called with the intention of taking specific action to convey to all parties that college and university presidents have very serious concerns regarding the conduct of intercollegiate

athletics, that presidents are going to be involved in the solutions to the concerns, and that presidents are able to dictate principles and policies in that regard." (April 4, 1985 Minutes) The presidents appeared to be serious about financial reform in their athletic programs, and they wanted that clearly understood by all parties.

On April 5, 1985, a press conference was held in Washington, D.C. by the NCAA Presidents' Commission, to discuss the results of a recent independent survey of 791 Presidents, commissioned by the NCAA. The survey was conducted by the American Institute for Research in the Behavioral Sciences, and the response rate was about 60%. Included in the press conference were summary statements addressing financial control issues that, in order to enhance institutional control, the athletic budget must be subject to final approval by institutional administrators and/or the institution's governing board, and the athletic budget must be audited annually by institutional or independent auditors. In addition, in order to address the integrity problems, the survey found that the Presidents also favored the options of mandatory reporting on coaches' outside income.

It was also noted from the survey that there was strong agreement that the President should have the ultimate control of their respective institution's athletic budget. The survey respondents believed that both the revenues and expenditures for athletic programs would increase in the next two years,

but more believed that expenditures would increase faster than revenues than believed revenues would increase faster than expenditures. The respondents also saw increasing expenses as a serious problem for college athletics, but typically did not identify it as a serious problem at their own institutions. (April 5, 1985 NCAA Press Conference Minutes)

The proposed financial control legislation for the fifth special Convention of the NCAA was drafted and presented to the NCAA Council for final review on April 15-17, 1985. Proposed amendment No. 6 from the Presidents' Commission read, "(b) An institution's annual budget for its intercollegiate athletic programs shall be controlled by the institution and subject to its normal budgeting procedures. The institution's Chief Executive Officer/(President) or an institutional administrator from outside the athletic department designated by the Chief Executive Officer/(President) shall approve the annual budget in the event that the institution's normal budgeting procedures do not require such action." (April 11, 1985 NCAA Minutes)

Proposed amendment No. 7 from the Presidents' Commission, as presented to the NCAA Council read, "(c) All expenditures for or in behalf of an institution's intercollegiate athletics program, including those by any outside organization, agency, or group of individuals (two or more), shall be subject to an annual financial audit conducted for the institution by a qualified auditor who is not a staff member of the institution

and who is selected either by the institution's Chief Executive Officer or by an institutional administrator from outside the athletic department designated by the Chief Executive Officer in addition to any regular financial audit policies and procedures of the institution. The audit report shall be presented to the Chief Executive Officer." Both of these amendments, if approved, were slated to become effective immediately. (April 11, 1985 NCAA Minutes)

It was noted in the NCAA Council Minutes of April 15-17, 1985 that the NCAA Administrative Committee had met and reviewed the reduced slate of eight special Convention proposals (including the two financial amendments previously cited) and had recommended that the NCAA Council support all eight. It was also noted for the Council that the Presidents' Commission was acting with dispatch to respond to the sense of urgency felt by the Presidents which was clearly reflected in the recent commissioned survey by the NCAA.

The Chair of the Presidents' Commission stated that adoption of the eight proposals at the special Convention would represent a very constructive action, but only a beginning, and that the Presidents had numerous additional concerns. The Chair also stated that he was pleased with the Commission's approach and dedication to do all that rules and regulations could do to treat the problems in intercollegiate athletics, but that rules alone could not solve all the problems. (April 15-17, 1985 NCAA Council Minutes).

The written record shows that after responding to several questions from the NCAA Council members regarding the proposed amendments, it was voted, "...that the Council co-sponsor all eight of the Commission's proposals,..." and the vote was recorded as unanimous. (April 15-17, 1985 NCAA Council Minutes)

The NCAA special Convention was held in New Orleans, Louisiana on June 21-22, 1985, and was attended by a reported record 213 presidents and chancellors. The proposed amendments were presented and a lengthy discussion ensued regarding the financial amendments, as to the cost of the audits and what constituted "outside funds, regular financial audit, normal budgeting procedures" and "independent auditor." Amendment No. 6 on athletic budgetary control was approved by the voting body 436-0. Amendment No. 7 calling for an independent annual athletics financial audit was approved by a vote of 422-14. Both amendments are recorded in the current NCAA Manual as "dominant legislative provisions."

The result of these amendments being approved and now included as part of the Constitution are reflected in Section 6.2 of the NCAA Manual under **Budgetary Control**. Article 6.2.1 of the current NCAA Manual, entitled **Normal Budgeting Procedures**, states that "The institution's annual budget for its intercollegiate athletics programs shall be controlled by the institution and subject to its normal budgeting procedures." (p. 40)

Article 6.2.2 entitled **Chief Executive Officer Approval**, states that "The institution's Chief Executive Officer (or President) or an institutional administrator designated by the Chief Executive Officer (or President) from outside the athletics department shall approve the annual budget in the event that the institution's normal budgeting procedures do not require such action." (p. 40)

Article 6.2.3 of the NCAA Manual, entitled **Financial Aid**, sets forth the actual audit requirement for each of the three NCAA Divisions, including the audit schedule and exceptions allowed for Division II and Division III member institutions. Though the required audit frequency and type varies for the many colleges and universities based on their NCAA Division classification and operating budget, the basic language of the Constitution reflects the very language of proposed amendment No. 7. (p. 40) It was subsequently determined, based upon the amendment language and comments from the special Convention delegates, that the first NCAA institutional financial compliance audit was to be completed for the fiscal year beginning on or after July 1, 1985.

The NCAA Financial Audit Guidelines

The NCAA Financial Audit Guidelines were published and distributed to member institutions in June 1986, and many of the procedural issues were clarified as a result. For example, it was stated in the audit guideline that the primary

purpose of the audit report is "...to ensure that the Chief Executive Officer (President) is made aware of all recorded expenditures, both internal and external, for athletics purposes and is intended to assist the institution in exercising control over expenditures made for or in behalf of the intercollegiate athletic programs." (p. 5) It also clarified that the completed audit report shall be presented by the external auditors to the President. It was later clarified in the NCAA Financial Audit Guideline that the audit report for one fiscal year shall be completed and presented to the President prior to the end of the institution's next fiscal year. (p. 4)

Compliance With the 1985 NCAA Financial Legislation

The institutional Presidents now had a mechanism to ensure that they were being fully informed of the sources of all revenues, as well as how and for what purpose those revenues were being expended in their intercollegiate athletic programs. The annual financial audit had to be conducted by qualified non-institutional (external) auditors, and the resulting audit report had to be presented to the President in a timely manner. It is important to note here that the annual financial audit report is not to be submitted to the NCAA by the institution, nor by the auditors.

There is no stated penalty for non-compliance with the NCAA audit legislation. Unintentional non-compliance with the

NCAA regulations as a result of an oversight is addressed as a secondary infraction by the NCAA administrative staff. However, intentional non-compliance is considered a major infraction. Such an incident would be reported to the NCAA Infractions Committee for review and possible assessment of sanctions. (October 12, 1990 NCAA staff interview)

Specific penalties for non-compliance with NCAA program regulations are generally not stated in the NCAA Manual in order to afford a degree of discretion and flexibility by the NCAA staff in handling program violations. To date, the NCAA has no record of institutional non-compliance findings with regard to the financial audit legislation. (October 12, 1990 NCAA staff interview)

On an annual basis, every NCAA member president, athletic director, and all associated coaches are required to certify in writing that they are in full compliance with all the NCAA program regulations, to the best of their knowledge. This is known as the annual Certification of Compliance Statement.

When an institution determines that NCAA program regulations have been intentionally or unintentionally violated by external program supporters, institutional employees or student athletes, then personnel from that institution are required to report the violation to the NCAA. This is referred to as self-reporting. There have been no self-reported violations of the financial audit legislation compliance, according to NCAA administrative staff.

The NCAA Audit Scope and Associated Costs

One specific point raised in the NCAA special Convention deliberations regarding the financial audit legislation was that an annual audit requirement may be duplicative, as well as possibly prohibitively expensive for some institutions. There remains a wide-ranging latitude of cost for this type audit engagement. The cost of the required annual audit must reflect the state of the internal accounting control structure within the institution, the organizational structure of the athletic department(s) and their relationship with the institution, and the institution's financial records system. Other cost determinants may include how much external funding flows through to the athletic programs and in what manner, and whether those resources come from a single central booster organization or from a plethora of outside groups and other external sponsors.

During discussions in September 1990 with several college and university internal audit directors at the annual Association of College and University Auditors conference held in Baltimore, Maryland, it was revealed that annual costs of the NCAA financial compliance audit varied from as low as \$5,000 to as high as \$35,000. These rough figures represent only the direct costs of engaging an external auditor, and are dependent to some degree upon the extent of the internal preparatory work done, and the support work completed by

institutional personnel, as well as whether the engagement for audit work was above and beyond the minimum necessary to meet the NCAA Financial Audit Guideline requirements.

Auditing is typically identified in a college text as being generally a discipline independent of accounting or the measuring and communicating of financial and business data. Auditing is most often viewed by the general public as a private profession rendering a public service. Auditing reviews and reports on the propriety or impropriety of how management measures and reports financial data. It is foremost an attestation function involving the objective examination of the financial statements of an entity which have been prepared by management. (Holmes & Overmeyer, p. 2)

The primary objective of an audit is to provide a basis for the rendering of a professional opinion on the fairness, integrity, and authenticity of the financial statements of the entity or entities being audited. Thus, by accepting and implementing the financial amendments as Constitutional legislation, the institutional presidents appeared to have the expectation that they would be provided an annual set of accurate and technically correct financial statements for their respective intercollegiate athletic programs, which clearly and concisely summarized the sources and amounts of support revenues and summary expenditures by program, and which showed the ultimate use of those resources provided, regardless of source.

It is important to note here that an audit basically constitutes after-the-fact accountability when dealing with financial matters. Audits serve the function of detective, post-expenditure internal control measures for an institution, rather than as a direct preventive control. In other words, if revenues are accepted or improperly used not in strict accordance with NCAA and/or institutional or State guidelines, an audit would not serve directly to prevent such an occurrence. Instead, an audit may serve to point out that such an event did occur so that corrective action could be taken by institutional management and possibly by the NCAA, to prevent a recurrence or perhaps even to penalize an institution for non-compliance with program regulations if warranted.

The NCAA Financial Audit Guideline prescribes the minimum audit procedures which must be applied by the external auditors, but allows almost uncurtailed flexibility for additional audit work if an institutional representative so desires and is willing to pay for it. Thus, one direct result of implementing the NCAA financial audit legislation is the expenditure of funds required to engage the independent auditors. The direct result of that expenditure is the preparation and presentation of a concise, accurate, all-inclusive, and timely set of audited intercollegiate athletic program financial statements for that institutional president to use.

The Problem Statement

As stated earlier, members of the Presidents Commission, on behalf of member institutional presidents, expressed a collective concern over the issues of institutional control and integrity facing their respective institutions. They were concerned with the influence of non-institutional funds on their athletic personnel and programs, and on their institution. They were specifically concerned that these often unrecorded monies and benefits were being received directly and indirectly by their intercollegiate athletic programs and personnel, and they did not always know how much was being spent or used on which programs or personnel, directly or indirectly, and in what form.

Jointly related were the presidents' collective concerns that the repeated and highly publicized violations of the NCAA program regulations by member institutions could undermine the integrity of higher education in general, in a uniquely devastating manner. The loss of public trust by a few select and highly visible institutions as a direct result of their intercollegiate athletic program financial misdealing could easily and foreseeably result in a dark shadow of doubt and mistrust being cast not only over NCAA member institutions, but also potentially over the entire higher education community. There was widespread genuine concern by NCAA member institution presidents that the entire higher education

community might suffer from the actions of a few, through a loss of public confidence and, equally important, a loss of funding and booster support.

The specific stated purpose of the NCAA intercollegiate athletic annual financial compliance audit report is set forth in the NCAA Financial Audit Guide, to be:

To ensure that the Chief Executive Officer (President) is made aware of all recorded expenditures both internal and external for athletics purposes and is intended to assist the institution in exercising control over expenditures made for or in behalf of the intercollegiate athletic program.

Five years later, the problem being posed in this study is, does the NCAA financial audit legislation adequately address and resolve the issues and concerns associated with the loss of institutional financial control over athletic programs which ultimately prompted the development of the NCAA financial legislation by members of the Presidents' Commission?

The Purpose of This Study

Though previous as well as present concern over institutional control deals with both academic and financial issues, the focus of this study is specifically on the 1985 NCAA financial audit legislation. The need for this study is multipurpose. In order to address the problem statement posed in this report, there exists a need to determine whether the NCAA member presidents believe that the NCAA financial audit

legislation has served its intended purpose, and if so, to what extent, from the perspective of the institutional presidents themselves.

If the annual financial audit report on the athletic programs is not meaningful and useful to the presidents in keeping abreast of the revenue streams and how those monies are being spent in support of the institutional athletic programs, then the objective of gaining financial control over their respective athletic programs has not been met by the new financial audit legislation. That is to say, the legislation would be found to be ineffective in addressing their loss of institutional financial control over their athletic programs.

Many years ago while Chairman of the Securities and Exchange Commission, William E. Casey made an interesting observation which still holds true today. He stated,

If financial statements are to be useful, they must communicate. They must mean what informed people think they mean. Formulas cannot be applied blindly that defy common sense. Form cannot be allowed to triumph over common sense.
(Journal of Accountancy)

Thus, another purpose of this study is to determine whether the institutional presidents believe that the annual athletics program audit report is meaningful and useful in its present form as designed jointly by the NCAA and the American Institute of Certified Public Accountants (AICPA).

To that end, this study will also attempt to determine:
(1) the extent to which the required annual NCAA financial

compliance audits are being conducted, (2) the extent to which the NCAA Division I member Presidents are receiving and using the audit reports, (3) the extent to which the financial weaknesses noted in the audit reports are being addressed and in what manner, and (4) the annual individual and collective costs of compliance with the NCAA audit legislation for the Division I member institutions.

Another purpose of this study is to determine whether actually conducting the annual NCAA financial compliance audit and receiving the report aids the athletic personnel or other responsible institutional representatives in identifying violations of NCAA regulations which can and should be then self-reported by NCAA Division I member institutions. Since the institutions generally fare better if they self-report NCAA program violations, according to the NCAA staff, then there may be an added incentive for institutions to conduct the annual athletic program financial audits.

In addition to determining whether the intended spirit of the NCAA audit legislation is being met for the Division I presidents by having the audit report serve as a useful tool to address their financial control and integrity concerns, this study will determine whether statistically significant relationships exist between three independent variables and a series of fourteen dependent variables associated with the required annual audit report form, content, and various uses.

The institutional presidents will be able to use the summary statistical data developed as a result of this study to determine where their institution stands in comparison with others in the same NCAA Division classification with regard to a series of different attributes. For example, among other things, included will be the annual average cost of the NCAA audit, the extent of distribution of the audit report, and which organizational position is assigned the task of formally responding to the noted audit weaknesses if a formal response is prepared.

This study will solicit individual value judgments from Division I institutional presidents regarding the NCAA financial audit legislation. The collective results will provide the presidents with an idea of whether there is consensus that the audit report has meaning and value as a management oversight tool for the presidents. If the audit is not being regularly conducted, then perhaps the audit report and athletic program financial statements are not communicating in a meaningful manner and the spirit of the legislation is being thwarted. On the other hand, if this study reveals that the institutional presidents believe that the financial audit legislation has indeed addressed their financial control and integrity concerns, both in form and in function, then the legislation has indeed proven effective.

CHAPTER II

REVIEW OF THE LITERATURE

A review of the literature associated with the NCAA financial audit legislation revealed a very sparse selection of mostly newspaper and journal articles from which related information could be garnered. There exists a large number of works which discuss institutional control over athletics, but their focus, particularly the past three years or so, rests with the association between academic issues and intercollegiate athletics, rather than with financial issues.

A majority of the articles on the NCAA financial audit requirement address the events of the era which ultimately led to the proposal of the financial audit legislation by the NCAA Presidents' Commission, rather than addressing the actual effectiveness of the legislation in aiding the presidents to regain financial control of their respective institutional athletic programs. Thus, the following chronology of events occurred as the NCAA Presidents' Commission was developing its legislation.

In October 1984, the Chairman of the Presidents' Commission was quoted in an article in the Chronicle of Higher Education as saying that a survey was being planned for all colleges with major sports programs to find solutions to "the integrity crisis in intercollegiate athletics" and to other

problems and issues relating to "the revenues and costs of intercollegiate athletic programs." (Monaghan, P., 1984, October 17) It was also noted that the NCAA Executive Director at the time advised the Presidents' Commission that the current crisis was more serious than any he had known in his more than 35 year association with the NCAA.

In the same article, there was reference to the internal disintegration of self-discipline by athletic programs, citing problems that could be eliminated only if the presidents were determined that practices and people inconsistent with ethical standards and fair play simply would not be tolerated. It was also noted in the article that for an upcoming special NCAA convention, the NCAA Presidents' Commission would sponsor legislation to require that all income and expenditures for athletic programs flow through the institution's regular budget and that they be audited in the same manner as all other institutional accounts.

In the April 6, 1985 edition of the Los Angeles Times, it was reported that the nationwide survey showed that college Presidents were seriously dissatisfied with their lack of control over athletic programs. (May, L.) It was also noted that the Division I schools caused the most concern for the Commission members, primarily because of the large financial stakes associated with the big-time sports programs. Again, references were made in the article to pending legislative proposals by the Commission which would require annual

external audits of all athletic programs, with the institutional presidents responsible for selecting the independent auditors.

An article that same day in the New York Times quoted the Chairman of the Presidents' Commission as saying that steps had been taken to "eliminate corruption" in collegiate athletics. (Molotsky, I., 1985, April 6) The Commission had voted that week to propose that all member athletic budgets be controlled by the institutional president and that they be subject to periodic outside audit, because the college presidents had to reclaim control of their institutions. The Commission Chairman also noted however, that slush fund monies were not going to show up in the athletic budgets or even in the audit, and that even further steps had to be taken to prevent improper payments to college athletes by overzealous alumni and boosters.

The stage was set for the legislative proposals, which would include the requirement that regardless of the source of the funds or their use, all revenues and expenditures associated with the athletic programs would be subject to the regular institutional budgetary process. In addition, the institutional presidents would be more directly responsible for the athletic program budgets. Also, an annual outside audit would be required for the athletic programs, and the institutional president would be responsible for selecting the auditors who would perform the work.

In mid-April 1985, the Chronicle of Higher Education rehashed the efforts under way by the Presidents' Commission to address the integrity and control issues, but also added another dimension. For the first time, the Commission Chairman noted the concerns of the presidents and chancellors regarding the effect the financial loss of control was having on academic values of higher education. Additionally, comments were made that the proposed legislation was only a beginning to strengthening the efforts to deter corruption, eliminate improper influences from athletic administration, and to provide visibility of institutional records of admissions, academic progress, fields of study, and graduation rates. (Farrell, C.S., 1985, April 17)

As the Presidents' Commission continued to assess the survey results and draft legislation, the parameters of the institutional control concerns were expanded both internally and externally to include the academic arena. Integrity, as defined by Webster, requires firm adherence to a code of moral values. Thus, the Commission was becoming aware of the need to include academic concerns in their first attempt at restoring intercollegiate athletic program integrity in higher education. A renewed faith by the general public and by the academic faculty was an absolutely essential part of the program to restore athletic program integrity.

In a June 1985 guest editorial in the New York Times, the writer, John C. Weistart, even went so far as to state that

the proposed legislation reflected "...a troubling overemphasis on economic concerns." (1985, June 16) Perhaps the mood of the general public was surfacing in comments made about recent scandals which revealed the extent to which major collegiate athletics had separated itself from its educational origins. The writer noted that academics were only an incidental issue at some institutions and that a basic redirection was called for where educational goals rather than institutional finances would receive unmistakable priority.

Shortly thereafter, the Chronicle of Higher Education reported that a recent public opinion poll had revealed that 60% of the responding Americans thought that college sports were overemphasized. (1985, June 19) A point was made that the Presidents' Commission was urging the institutional presidents to attend the upcoming NCAA special convention as the official delegates for their institutions, to assure that meaningful actions would be taken through direct presidential leadership. A strong and united showing of institutional presidents would also help assure that intercollegiate athletics would be conducted properly within the framework of higher education.

The issue was summarized the following week in the New York Times. It was stated that the extraordinary mid-year special convention, the first of its kind ever called by the Presidents' Commission, reflected growing fears on the part of academic leaders that the problems related to big-time

athletics were undermining the reputations of academic institutions because intercollegiate athletics had become a "Fifth estate with a life of its own." (Fiske, E.B., 1985, June 20) It was also noted in this article that at least some of the major university presidents viewed the proposed legislation as a major housecleaning step.

After the June special convention, the Los Angeles Times reported that every item of the proposed legislation was voted in by a landslide by presidents who, for the first time, took a highly active part in the NCAA convention. The Presidents' Commission Chairman was also quoted as saying in his opening remarks at the convention that the member presidents were "heartsick about the current state of intercollegiate athletics." (Dodds, T., 1985, June 22) References were also made about the strong and united front of the presidents at the annual NCAA convention, evidence that "there was widespread dissatisfaction and embarrassment with the excesses and the scandals," and that the leadership would "not tolerate the element that brings disgrace to all higher education."

This sentiment was echoed later that week in a New York Times article which quoted the NCAA Executive Director's comments made after the close of the special convention. The substance of his remarks was that the presidents had taken action to take control of athletics and to set the standards of conduct they expected from their employees. (White, G.S., Jr., 1985, June 23)

The Wall Street Journal also noted the actions taken at the special convention, but the focus was on the financial aspects of the crisis. It stated that because the financial stakes in college athletics were considerable, there was a need to replace the "...incentives to do wrong with incentives to do right." (Sporting Chance, 1985, June 27) The ethics and integrity issues also surfaced in this article, when the discussion turned to the coaches who were being paid extremely lucrative salaries expressly for the purpose of producing winning teams, which would in turn generate millions of dollars in support for their institution. The argument was made in the article that if college administrations didn't pressure coaches to produce winning teams, and therefore profitable programs, "...then the coaches might feel less compelled to do whatever necessary [including skirting NCAA rules] to protect their livelihood."

Some followers of the convention immediately took the position that the legislation passed at the convention didn't get at the evils of over-commercialization of college athletics, and that more steps obviously were needed. In an article in Sports Illustrated, it was stated that "The convention's actions were mostly symbolic." (Sullivan, R., 1985, July 1) However, the author left the door to full acceptance of the action partially open when he stated that if additional significant reform was not addressed at the next annual NCAA convention in January, that "...the high-minded

rhetoric of New Orleans would ring hollow." (p. 9) Though this appeared as a negative reaction to the convention's outcome, it did serve notice to the presidents that there was a need for follow-up action.

The economic and financial aspects of college sports programs were also touted by other journalists. An article in the U.S. News and World Report recognized that the intense pressure to win was the source of the unethical conduct because winning generated immense national exposure for the institution and donations from alumni. As a cited example, the television revenues from the 1985 NCAA final four basketball teams were over \$700,000 each. One conference director was quoted as saying that "The stakes are so high in revenue and recognition that those who reach the pinnacle realize fortunes." (Sanoff, A.P., 1985, July 1)

Some of the pending problems and issues associated with the new NCAA financial legislation began to surface shortly after the New Orleans convention. Despite the presence of so many presidents at the convention, "...which reflected a concern about the erosion of the moral authority of the universities," as noted in the Chronicle of Higher Education, (Monaghan, P. & Farrell, C.S., 1985, July 3) the members of the Presidents' Commission and the delegates recognized that the legislative measures adopted would not solve the basic and symptomatic problems in sports. The basic problems cited included the commercialization and professionalization of

college sports. The presidents also noted that the cost of the outside athletic program audits required under the new legislation, particularly for smaller institutions with little or no television revenues, was an acknowledged problem.

Later articles in the Chronicle of Higher Education pointed out that most of the new NCAA legislation was aimed at the NCAA Division I institutions, typically colleges and universities with multi-million dollar sports budgets, booster clubs, and men's football or basketball teams likely to earn large sums of money from ticket sales and television appearances. (Crowl, J.A., 1985, September 4)

Other articles in that issue of the Chronicle of Higher Education noted that finances again surfaced as the chief culprit underlying the many recent and highly publicized intercollegiate athletic scandals. One opinion was offered that "Almost all colleges and athletics organizations were concerned about how to pay for their growing sports programs. A number of observers of college sports argue that money is at the root of all other problems." (p. 72) It was even suggested by the writer that "Some sports administrators fear that the financial crunch in athletic departments may slow the growth of women's sports," which had been expanding rapidly over the past decade. (p. 72)

After more college sports scandals appeared in the news in the Autumn of 1985, a Special Report in Sports Illustrated noted that the pressures to win led to cheating, which created

more embarrassment than good will for colleges. In spite of the passage of the NCAA financial legislation, Sports Illustrated printed a "Plan For Cleaning Up College Sports," a ten step program aimed at "cleaning up the mess in college sports." (1985, September 30). One of the specific steps was to "make it illegal for a booster to offer money to college athletes." (p. 36) It was also noted that as a last resort, "Federal legislation to curb such practices may be needed." (p. 37)

As that landmark calendar year of 1985 drew to a close, the Wall Street Journal posted front page banner headlines entitled, "Spirited Giving - Overzealous Boosters Threaten the Integrity of Collegiate Sports." (Blumenthal, K., 1985, December 27) The financial connection between America's businessmen and college sports was examined intensely, because "the size and salary-like nature of the payoffs in the latest sports scandals appeared to genuinely jar many sports followers." (p. 1)

In addition, the article noted that "..businessmen with deep pockets also like to influence how coaches are paid, hired, and fired, and how donations are spent." (p. 1) However, it was also noted that recently passed NCAA financial legislation now required booster clubs to open their books to outside auditors, a sort of consolation comment.

Almost as quickly though, a plan of rationalization for the action of the boosters was offered. The new attention to

the booster groups arose as colleges were growing more dependent on those outside funds. One article pointed out that the need for outside funds, both for athletics and for academics, was growing, which made controlling the boosters that much more difficult. However, those colleges not so enamored with uncontrolled booster enthusiasm were seeking greater control over their booster operations.

A little more than a year after the passage of the landmark legislation, the NCAA Executive Director wrote an editorial for the New York Times, offering a sort of a backwards glance. In it, he discussed the "disproportionable publicity" received by a handful of institutions which acted improperly. (Byer's, W., 1986, September 14) He spoke of the \$140 million dollars of private financing received annually for athletic-related grants-in-aid and scholarship support for NCAA Division I schools. The commercialization of collegiate athletics was clearly recognized as he referred to the "incredible strain on the system of higher education and its limited powers of control" which result from the remarkable publicity and financial returns derived from televised college sports. (p. S13)

In many ways, this editorial sought to put some of the blame where it belonged - on the shoulders of the American sports-consuming public. The demand and appetite for college sports was creating a "feeding frenzy" or "win at any cost" atmosphere at many big-time sports schools. The editorial

ended on a somber note, citing "The one serious factor that interferes with resolve and integrity is the pressure from certain influential donors, some members of boards of trustees, and the occasional important state legislator, who believe that athletic success at their favored institution is worth whatever it takes." (p. S13)

A response appeared in the September 1986 issue of the Washington Monthly under an eye-catching title, "Fumbling on Reform." (Gladwell, M.) In this article, the argument was made that having the Presidents' Commission in place to balance the interests of academics and athletics was an approach destined to fail. The reason cited was that there was a direct relationship between winning sports programs and fund raising, and that college presidents were the chief fund raisers for their institutions. Thus, it was concluded by the author that the NCAA financial audit legislation was little more than simply cosmetic.

Shortly thereafter, the Reader's Digest published an article entitled "Scandal in College Sports" where such statements as "Big-time college athletics is mired in scandal" were made to focus the reader's attention on cold, hard cash as being the core of all the corruption. (Gildea, W., 1986, October). It was also recognized that influential boosters had come to play a powerful role in many athletic departments. The article noted the growing reforms being instituted and suggested that fund-raising be controlled solely by the

college presidents. The suggestion was also offered that television revenues be shared by all the schools with big-time athletic programs, so as to temper the win-at-all-cost approach. No real solutions were offered to address the growing dependence of schools on outside revenues gained through the athletic programs.

Just prior to the January 1987 NCAA annual convention, the Presidents' Commission lauded a new proposal to "...allow colleges to monitor how much coaches earn from outside sources and give institutions more control over some kinds of that income,..." as reported in the January 19, 1987 issue of Sports Illustrated. (Neff, C., & Sullivan, R.) While this dealt with extended fiscal control, it was not truly part of the audit issue under study. Closely related were comments on action taken at the NCAA convention to curtail booster activity. This was seen as part of the movement to "...cap the momentum toward even costlier and more grandiose athletic programs on college campuses." (p. 9)

Recognizing the difficulty that college presidents faced in bucking their coaches and the associated big money, U.S. Representative Thomas A. Luken (D-Ohio) drafted Federal legislation to establish an advisory commission on athletics, to help the colleges and universities break the athletic circle, since as reported in the July 1987 issue of U.S.A. Today, "...reform of college sports can never come from the NCAA." (Luken, T.A.) The prospect of Federal Congressional

intervention to address the crisis of public confidence in collegiate athletics was suddenly becoming a reality. This appeared to indicate, at least for the general public, that perhaps the 1985 NCAA financial legislation was not noticeably effective in aiding the presidents to regain institutional financial control over their respective intercollegiate athletic programs.

There was no further mention in the literature of that specific Congressional legislation. In April 1987, the National Association of College and University Business Officers (NACUBO) publication Business Officer published an article entitled "How to Implement the NCAA Financial Audit Guidelines." Foremost in importance, according to the authors, was the need to ensure that the audit requirement was met and that any audit findings were resolved. Perhaps the one remarkable comment offered outside of the basic "how to" plan was that institutional presidents had a choice of what type of NCAA audit would be conducted.

One choice would be to apply a full-scope audit, which was basically a comprehensive and expensive examination of all the financial aspects of the athletic programs. At the opposite end of the spectrum, the alternative would be to opt for applying "minimum agreed upon procedures" for the audit. Those procedures are outlined in the NCAA Financial Audit Guidelines, and they basically constitute a review of internal controls which exist over the athletic programs, combined with

a minimal review of program revenues and expenditures. This less expensive audit carries with it a limitation on its distribution under AICPA auditing standards. Thus, it is not permissible to publish the results for other than internal use.

In the November 1987 issue, the Business Officer contained an article entitled, "NCAA Exempts Some Colleges From Financial Audit Rules," which reported that the NCAA had voted to exempt some colleges from the financial audit rules once the first year audit had been completed by all NCAA member institutions. (p. 9) In recognizing that institutions with relatively modest athletic budgets also tended to not receive much outside funding, the NCAA exempted colleges and universities with annual athletic expenditures under \$300,000 (excluding personnel costs) from the audit requirements. According to the NCAA's Director of Compliance, "Tracking outside funding is one of the primary functions of the audit requirements," thus making the exemption reasonable. (p. 9)

In mid-1988, in an effort to use a successful big-time athletic program as a recruiting tool, a campus provost made the comment to the Chronicle of Higher Education that "...athletics is what people pay attention to" and a close and loyal alumnus said "People want to be associated with the best." (Oberlander, S., 1988, May 11) This appeared to be a momentary isolated movement in the opposite direction for those presidents concerned with keeping a financial lid on

college athletic programs, and no other such changes in direction were noted in the literature.

When another major college sports scandal erupted later that year, emphasis was again placed on the various financial elements associated with the big-time college sports. When recapping the events, an article in the January 1989 issue of Time magazine again put the issue into better focus. When discussing the recent resignation of the coach allegedly involved, the writer noted that "... it was a \$1.6 million job and that football coach was the highest paid higher educator in the country. From that perspective, there is no perspective." (Callahan, T.)

In October 1989, the success of the NCAA financial legislation at aiding the presidents to regain financial control of their athletic programs was again put to the question. In an article entitled "The Presidents Respond," in the October 16, 1989 edition of Sports Illustrated on the upcoming 1990 NCAA annual convention, the author told of some "...bold and welcome reform proposals" drafted by the Presidents' Commission. However, the writer also stated that "...the presidents' action was wrought in desperation. A recent barrage of bad news...was harsh proof that the system was failing." (p. 26)

In a special NACUBO Advisory Report dated January 11, 1991, further reference was made to Federal legislation associated with the Student Right to Know and Campus Security

Act signed into law on November 8, 1990. As part of the Right to Know legislation, the Secretary of Education was directed to complete a study analyzing the feasibility of reporting revenues derived and expenditures made, for each sport, by institutions from athletic activities. The completed report was slated for submission to Congress prior to April 1, 1991. While this legislation was not specific to NCAA member institutions only at this time, the comment was noted that, "...the House feels that this legislation would greatly increase public oversight of athletic programs at institutions of higher education,..." a public role which the NCAA and the Presidents' Commission had been trying feverently to avoid.

In March 1991, a special report entitled, "Keeping Faith With the Student Athlete: A New Model for Intercollegiate Athletics" was released by the private Knight Foundation. The Knight Foundation Commission spent more than a year in study and debate in developing its recommendations for reform in intercollegiate athletics. Though encouraged by recent reform movements in the intercollegiate athletic programs, the Commission remained concerned by "...the clamor for reform and the disturbing signals of government intrusion..." which confirmed the need to rethink the management and fundamental premises of intercollegiate athletics. (p. vii)

In the report, the Knight Commission clearly expressed its conviction that the college and university presidents were the key to successful reform. The Knight Commission clearly

formulated a "one-plus-three" model of reform structure in which presidential control is directed toward academic integrity, financial integrity, and independent certification. The Commission reform recommendations directed at financial integrity included the statements, "All funds raised and spent for athletics will be subject to the same oversight and scrutiny as funds in other departments," and "Athletic Foundations and Booster clubs will not be permitted to provide support for athletic programs outside the administration's direct control." (p. viii).

As part of the independent certification process, the Commission recommended that, "Each year, every NCAA institution will undergo a thorough, independent audit of all academic and financial matters related to athletics." (p. ix) It further recommended that the comprehensive annual certification program should, "...verify that the athletics department follows the institutional goals, that its fiscal controls are sound, and..." (p. ix)

The Commission report is both frank and terse in the detailed section dealing with certification or independent authentication of the integrity of each institution's athletics program, by an outside body, on a regular periodic basis, to ensure that all the major control systems are functioning properly. The report emphasized that, "The academic and financial integrity of college athletics is in such low repute that authentication by an outside agency is

essential." (p. 21) The Commission report supports the expansion of the current NCAA financial audit to make it more comprehensive so that it also includes the academic issues of athletic admissions, academic progress, and athletic graduation rates.

On March 19, 1991, the Corporation for Public Broadcasting aired a program entitled "Sports for Sale" on public television, with Bill Moyers providing the commentary. This stinging commentary on big-time college sports programs included filmed interview comments with student athletes, educators, coaches, administrators, and politicians, all driving at supporting the contention that corruption lies at the very heart of collegiate athletics because big-time sports programs attract lots of attention and generate lots of money. The scathing criticism of big-time college sports programs not only included the financial related atrocities, but also the academic, including the "special" admissions practices and demoralizing athletic graduation rates.

The commentary by Moyers was followed by a roundtable discussion with Moyers, two members of the Knight Foundation Commission, the Executive Director of the NCAA, a university president emeritus, an outspoken author on college sports programs, and a football coach from a major university with a successful and widely recognized big-time sports program. While there was opportunity to discuss the filmed interviews in the context of the Knight Commission report, much of the

discussion was directed at whether the presidents could or would be able to force the needed changes noted in the report.

There was concern noted that all member institutions had to participate in the changes so that none would be unfairly disadvantaged. The author even went so far as to demand that the NCAA financial audit reports be subject to public access and scrutiny as a means of gaining public support for the necessary program changes.

The March 27, 1991 issue of the Chronicle of Higher Education rehashed the Knight Foundation Commission report in a lengthy article which quoted almost the entire report. The article also included comments from the sports author who had appeared on the public television roundtable discussion.

The April 1991 issue of the Business Officer also included a two page paraphrase of the report. A follow-up article in the August issue included a feature article by the two members of the Knight Commission who had also participated in the earlier roundtable discussion with Moyers. That article, however, was again a rehash of the report, and little, if any, additional information was provided.

CHAPTER III

RESEARCH METHODOLOGY

The research design set forth details the plan and structure of the study, so conceived in order to obtain answers to the research questions. The plan details the overall scheme or program of this particular non-experimental field research, and the structure details the organization of the elements in specified ways to support this research.

Non-experimental exploratory field research is used in studies of "what is" rather than to predict relationships. Kerlinger notes that non-experimental research is systematic empirical inquiry in which the researcher does not have direct control of the independent variables because their manifestations have already occurred. He also notes that inferences about relations among the variables are made without direct intervention, based upon the concomitant variation of the independent and dependent variables (p. 348).

Kerlinger sets forth three specific purposes of this type of research: 1) to discover significant variables in the field situation, 2) to discover relations among variables, and 3) to lay the groundwork for later, more systematic and rigorous testing of hypotheses (p. 373). When contrasted to experimental research, the two are markedly different, primarily in the control of the variables. Kerlinger also

notes three specific, though not necessarily detrimental, limitations on the use of non-experimental research: 1) the inability of the researcher to manipulate the independent variables, 2) the lack of power of the researcher to randomize in sampling, and 3) the risk of improper interpretation of the data by the researcher (p. 358). Hopefully, these weaknesses can be controlled to a degree, or at least compensated for, through the development of an appropriate research design.

The research design serves as a control mechanism for the research by providing a paradigm or model, in the form of a series of instructions and steps for the researcher to take in gathering and analyzing the data in certain, specified ways. Though the researcher does not manipulate at least one of the independent variables in non-experimental research, the research design must still adequately test the hypotheses and answer the research questions posed by the researcher, while adequately controlling the variables.

Field studies are very realistic rather than artificial as some laboratory research can be, and they are readily accepted as non-experimental scientific inquiries. However, despite the rich discovery potential of field research, its non-experimental characteristic, its lack of precision, the inability to control randomization or manipulate the independent variables, and the plethora of variables, both recognized and unrecognized in the research design, field studies are still a weak cousin of laboratory research.

The Population & Sample Defined

Ferguson defines the population as a group or aggregation defined by their descriptive properties, which apply to the group as a whole rather than to the particular members (p. 6). The population for this research study is defined as the 298 presidents of colleges and universities which were recognized by the NCAA as being current member Division I institutions as of June 30, 1990. This population includes 106 Division I-A member institutions, 88 Division I-AA member institutions, and 104 Division I-AAA member institutions. While these three groups of member institutions play in many different regions and conferences and at different levels and in different sports, and are subject to varying NCAA program guidelines and requirements, all Division I institutions are subject to the same NCAA financial audit legislation.

The sample used for this study included all Division I member institutional presidents as defined by the NCAA, regardless of the NCAA status of the institution. None of the institutions were excluded from the sample as a result of NCAA sanctions in effect, either currently or during any part or all of the defined study period, the three most current fiscal years for the participant institutions. The Division I institutions were selected for this study because they must comply with all of the NCAA financial audit legislation requirements.

Since the population for this research is finite and can be surveyed without the need to select a random sample of the population, there is not a need to utilize an inferential statistic. An inference surfaces as a proposition or generalization derived by reasoning from other propositions or from the research evidence. However, since the population and the sample in the study are one in the same, the statistics which apply to the sample also apply to the population.

If a 100% response to the survey instrument were attained when the sample and the population are identical, the complete population data would be available and descriptive statistics would be used for this research study. That is to say, the statistics calculated from the sample would be termed descriptive statistics because they would, in fact, describe the various characteristics of the complete population. As a result, there would be no need to infer the results from a random sample to the general population.

However, assuming that a 100% response from the sample group were not attained, there would be potential for the use of an inferential statistic to infer from the sample response statistics to the entire sample. One concern with this approach is that there must be a means to ensure that the non-respondents were random in nature and that there was no specific shared variable which could account for a significant number of the non-respondents not returning the survey.

If there was a greater than a five percent difference between the levels of response for the three NCAA Division classifications, then ten of the non-respondents would have been randomly selected and a brief telephone survey would have been conducted to determine the key reasons for their non-response. However, this was not needed, due to the response attained. The total responses received for the three Division classifications were within the defined five percent parameter.

Due to the nature of the sample, it was expected that control over irrelevant or contaminating variables, also referred to as the control over extraneous systematic variance, would be maximized. Typically in a formal research study, the systematic variance is minimized through randomization, or random assignment of the subjects and the conditions, to control the variance which may affect the research.

For example, there may be occasional fluctuations in specific athletic program revenues or expenditures as a result of geographic or financial variations. Though these may not materially impact the nature of this study, these factors have been identified as actual independent variables in an effort to more tightly control the variance. Though this study is focused upon the financial audit report application and use, rather than upon the actual revenues and expenditures which constitute the various components of the athletic program

audit report and financial statements, factors which may affect these issues are identified and controlled to the greatest extent possible.

Data Collection

Data collection for this research study was accomplished via a written survey developed by the researcher. The survey instrument was formally tested for its validity by the most knowledgeable and appropriate body, the NCAA Compliance administration. The concept of validity is discussed by Kerlinger as focused on the "what" is being measured by the research (p. 417). In other words, is the researcher measuring what s/he thinks s/he is measuring.

Key NCAA administrative personnel reviewed and provided comment on the survey instrument prior to its use, as a means of measuring the validity of the instrument. The needed adjustments and clarifications on the survey instrument were made, based upon their informed input. Since the sample includes the entire population, the external validity of the instrument was also established. Since there was no experimental manipulation of the independent variables in non-experimental field research, the issue of internal validity of the survey instrument was basically irrelevant.

The survey instrument was formally tested for its reliability through its administration to the first six institutional presidents who responded on a random basis, also

included in the defined sample population. The concept of reliability in research is often referred to using synonymous terms such as dependability, stability, consistency, accuracy, or predictability. The responses from these six initial responding presidents were also used as part of the achieved data base when analyzing the data. There were no noted comments or response patterns which might have indicated that the survey questions were ambiguous or unclear in what specific information was being requested.

Kerlinger notes the approach to reliability may occur in three different ways (p. 405). The first approach revolves around the question, if the same set of objects is measured again and again using the same survey, will the researcher get the same or similar results? A second approach is to ask the question, are the measures obtained from the survey the 'true' measures of the property being measured? The third approach is to determine the reliability of the survey based upon the presence or absence of errors of measurement in the survey. It is important to note here that errors of measurement are random errors, where the variance is self-compensating.

As a function of research design, the attempt in any research design is to control variance. The statistical principle behind the control of variance is to: 1) maximize systematic variance, 2) minimize error variance, and 3) control extraneous systematic variance (Kerlinger, p. 284). To maximize systematic variance, the research must be

designed, planned, and conducted so that the conditions are as different as possible. A field research study such as this can best control the systematic variance through the manner in which the survey questions are designed.

To minimize error variance, the errors of measurement must be reduced through controlled conditions, and the reliability of the measures must be increased. The attempt to minimize error variance in this research was made through the development of a survey instrument where precise, clear, and exact questions were used. This both increased the survey reliability and minimized the error of measurement.

Using the Survey Instrument

After the validity and reliability of the survey instrument were established, a request was made to the NCAA to provide a written statement of introduction for this research project, personally addressed to all the Division I member institution presidents. This request was denied. Since the survey instrument was to be distributed to the entire population, the NCAA was asked to provide a set of mailing labels for all Division I member institution presidents. As requested, the NCAA provided a current computer-generated listing of all Division I member institutions which included:

- 1) the name of the member institution,
- 2) the name of the current institutional president,
- 3) the mailing address of the member institution, and
- 4) the NCAA Division classification of each institution.

The researcher assigned a 3-digit numeric code to each of the 298 Division I member institutions on the listing, but not in alphabetical order, in order to eliminate a possible breach of confidentiality through identification of the institution by any party other than the researcher. That code was noted on the master control schedule and on the survey instrument being mailed. Upon receipt of a response, the mailing label on the master control schedule was written on to denote the receipt of a response, to eliminate the possibility of a needless and redundant follow-up request for response.

A one-page personalized informational memo from the researcher accompanied the survey instrument in the initial mailing to the Division I member presidents. One purpose of the transmittal memo was to address the need for the research, as well as the recognized need for the researcher to maintain the confidentiality of the data and the individual presidents providing it. In addition, the transmittal memo conveyed a brief statement of purpose for the research and a firm assurance that only summary statistical data would be reported in this final research report or provided to the NCAA for their use.

If no response was received by the end of the twenty day initial response period specified in the transmittal memo, a second request for response was mailed with a personal request for participation by a university President Emeritus, along

with another coded copy of the survey instrument. All survey mailings to the institutional presidents included stamped, self-addressed return envelopes. Sixty days after the final request for response was mailed by the researcher, the tabulation of the data received began, as at least a 50% response rate had been attained.

Perhaps one of the foremost limitations in this research project was the reluctance of the institutional presidents to provide what they perceived or believed to be personal and confidential data relating to athletic programs, despite assurances by the researcher that their confidentiality would be protected. This fear of the researcher imparting confidential institutional data to the NCAA or other rival institutions may have been reflected in a response rate which was lower than the generally expected 60%-80% rate (MSU-Survey Research Center). On the other hand, given the current interest in this topic by institutional presidents as a reaction to the recently released Knight Commission report, the overall response rate of 57.99% was quite surprising.

Analytical Techniques

Level of Significance

It is important to clarify and define the level of significance of the statistical tests to be applied in this research study for the purpose of inferring results from the sample response to the entire population. For all the tests

which were conducted, the null hypothesis makes the clear assertion that no relationship between the two stated variables exists.

Using the research data to test the null hypotheses, the potential exists for the researcher to commit either of two types of errors. It is possible that a null hypothesis may be rejected, even though it is true. The probability of this occurring, known as the probability of committing a Type I or alpha error (α), is referred to as the level of significance.

If the nature and outcome of rejecting a true null hypothesis due to chance alone were critical, then it would perhaps be appropriate to select an error rate of $\alpha = .01$ (1.00%) or even less. If the researcher could ill afford to wrongly reject a true null hypothesis even one in a hundred times due to chance alone, then an error rate as small as $\alpha = .001$ (0.1%) would be more appropriate.

Conversely, in research such as this, where vast resources or a human life for example, do not hang in the balance dependent upon the rejection of a true null hypothesis, then the probability of a Type I error occurring may consciously be set at $\alpha = .05$ for practical purposes. Thus, for the statistical tests of significance in this research project, the probability of a Type I error being committed was set at $\alpha = .05$.

The other type of error which may be committed by the researcher, a Type II or Beta (β) error, reflects the

probability of failing to reject a false null hypothesis. A Type II error is a function of: 1) the probability of a Type I error occurring, 2) how false the null hypothesis really is, and 3) the sample size 'N' being used in the research. As the sample size increases, the probability of a Type II error occurring decreases. Since this researcher deemed both a Type I and a Type II error to be of equal consequence, the choice of $\beta = .05$ has been made since this value will provide a fair balance between the two.

Data Analysis

Perhaps the most basic statistic emanating from this research will also be the most meaningful to the Division I college and university presidents. That statistic is the **arithmetic mean**, often referred to as an "average." This is the most frequently used measure of central location, according to Ferguson (p.53).

When combined with the range of the group, a measure of variation or the difference between the smallest and the largest measurements in the group, the arithmetic mean can be of great practical significance to an institutional president. By presenting these statistics where applicable based upon the overall response, as well as by NCAA Division level, the institutional presidents can determine where their institution rests in relation to the other schools in each of the NCAA Division levels.

For the very basic yes/no or private/public status questions which appear on the survey instrument, it was again important from a practical perspective that the percentages of each be calculated based upon the sample response, and that they be presented on an overall basis, as well as by NCAA Division level. This only serves the purpose of making the statistics more useful for the institutional presidents.

It is obvious from this research design that the NCAA Division level serves as a classification variable. That is to say, it represents characteristics which were present prior to, and quite apart from the research being conducted. The institutions included in each of the three NCAA Division levels constitute blocks of membership.

This important classification variable was used in the analysis for example, to show the percentages of responding institutions which are in compliance with the NCAA financial audit requirements. This variable was also used to show how and to what extent the audit report information is distributed and used. In addition, the reported direct audit costs for institutions within each NCAA Division classification are shown so they can be compared to the average cost for all institutions collectively.

Another analytical statistic utilized in this research project is Chi-square analysis. This research is designed to address the basic question of whether the implementation of the NCAA financial audit legislation increased the presidents'

perceived institutional control over the athletic programs. In order to accomplish this, one part of the survey involved the institutional presidents answering fourteen related questions about the audit report itself, utilizing a 5-point Likert response scale.

The dependent variables were identified jointly by the NCAA staff and the researcher, primarily utilizing the survey instrument data and questions which address the concept of institutional financial control over the athletic programs. The identified dependent variables utilized in this research included the following:

1. The degree of concern the responding president had about the loss of institutional financial control over the athletic program at the time the NCAA financial audit legislation was passed.
2. The effectiveness of the audit legislation in relieving presidential concerns of loss of financial control over the athletic programs.
3. The ease of using/reading the audit report.
4. The degree to which the information is provided to allow the president an understanding and utilization of the report.
5. The accuracy and completeness of the audit report.
6. The inclusiveness of the audit report.
7. The timeliness of presentation of the audit report.
8. The assistance the audit report provides in identifying financial control weaknesses.
9. The assistance the audit report provides in identifying possible mechanisms to correct the noted internal control weaknesses.
10. The assistance the audit report provides in identifying NCAA program violations which must be self-reported.
11. The assistance the audit report provides in the institutional NCAA self-study.
12. The value of the audit: equal or exceeds the cost.
13. The degree of support for continuing the existing audit requirements.
14. The degree of concern still felt by the presidents over the loss of financial control in the athletic programs.

A Chi-square test was utilized to examine each of these fourteen variables. According to Jolley and Mitchell, a Chi-square test is an appropriate technique to use because it is a correlational analytical technique ideal for descriptive research, useful for determining how two variables relate with one another (p. 275). Ferguson clearly describes Chi-square analysis as, "...a descriptive measure of the magnitude of the discrepancies between the observed and the expected frequencies" (p. 214).

For this research, the expected frequencies must be assumed to reflect the independence of both variables being tested. In testing the null hypothesis that each of the fourteen variables is independent, it was expected that the survey responses would reveal that there was no statistically significant relationship of the variables, a good test of independence. The independent variables against which the responses to the fourteen questions were tested included the primary classification variables. They were:

1. NCAA Division classification.
2. The public or private status of the institution.
3. The approval of the athletic budget by the institutional president.

These three independent variables were selected for this research for several reasons. The first, the NCAA Division classification, separates the Division I-A big-time sports program schools from the Division I-AA medium size schools and the I-AAA schools.

The public or private status of an institution was chosen as an independent variable because an institution is either one or the other, and compliance of financial trends may be noted as a result. The approval of the athletic budget by the president was chosen as an independent variable because such approval is inherently closely linked with the financial audit legislation to allow a president greater control over the athletic program finances.

Again, the common null hypothesis used for all the Chi-square tests was that the responses of the presidents to each of the fourteen questions were independent of each of the three variables listed above. If the Chi-square tests revealed that there were no discrepancies between the responses, the Chi-square statistic would have been zero and the null hypothesis would have been retained.

However, other values were calculated as the Chi-square statistics, and a critical value was determined for each in order to conclude whether the Chi-square statistic was significant. When it was determined that the Chi-square statistic was equal to or greater than the identified critical value, then the null hypothesis was rejected. This analytical technique revealed only whether a significant relationship existed between the two variables being tested, not what the degree of that relationship was.

The result of the series of 42 Chi-square tests is presented in this report, with particular emphasis placed on

those variables which are not statistically independent. When associated with the arithmetic means and ranges and other information gathered via the survey instrument, the practical significance of the collective results should be that the presidents and the Presidents' Commission can conclude whether the financial audit legislation has been accepted in practice and whether its implementation has addressed the presidents' concerns about institutional control over their athletic programs. In addition, the presidents should be able to focus on those areas of the legislation which may surface as weak or useless, in order to suggest corrections which will better serve the presidents and the NCAA.

CHAPTER IV

SURVEY DATA ANALYSIS

Survey Response Rate

For the 106 Division I-A institutions in the population, an overall response rate of 56.60% was achieved, with 60 of the member institution presidents responding to the survey. Eight of the responding presidents advised that they chose not to participate in the survey, and two advised that they were new Division I presidents and that they could not respond to the survey with any meaning. Since these presidents did respond that they chose not to participate in the survey, they were included in the overall response rate, as contrasted with those who simply did not respond. Thus, 50 of the 106 Division I presidents (47.17%) actually provided data.

Of the 88 Division I-AA institutions, the overall response rate of 57.95% was achieved, with a total of 51 institutional presidents responding. Six of the responding presidents chose not to participate in the survey. Thus, 46 of the 88 presidents (52.27%) provided data for analysis.

The 104 Division I-AAA presidents were slightly less responsive, as 56 of them, representing 53.85% responded to the survey. Two of the responding presidents advised that they elected not to participate in the survey for various reasons, and two advised that they were new presidents. One

president also advised that the institution was not even a member of Division I, indicating that the mailing list purchased from the NCAA was in error. Thus, 51 of the 104 Division I-AAA presidents (49.04%) provided data for this research.

Most of the responding presidents completed the entire survey, but there are variances in the total response to specific questions, as some presidents chose not to respond to one question or another. Rather than discarding the incomplete response, any information provided was used in the analysis.

It is also noted that there were some responses which had been completed by a person other than the named institutional president. Additionally, some of the presidents completed only page three of the survey, allowing institutional staff to complete the basic institutional demographic sections on pages one and two. Again, the researcher included all these responses.

TABLE 1
Survey Response Rate

	Total Number	Total Response	%	Responses Used	% of Total
Division I-A	106	60	56.60%	50	47.17%
Division I-AA	88	51	57.95%	46	52.27%
Division I-AAA	104	56	53.85%	51	49.04%

Responses to Survey Questions 1-12

The first three questions of the survey asked whether the required NCAA audit had been conducted for each of the past three fiscal years (FY), what the fiscal year end date was for that specific institution, and whether the most recent NCAA audit report was submitted to the institution within one year of the last fiscal year end as required by the NCAA audit regulations. Of the 49 responses received from Division I-A institutions, it was found that the audit reports were being received in a timely manner as prescribed in the audit guide. However, two presidents reported that only one NCAA audit had been conducted in the past three fiscal years, and both of the presidents reported that the most recent audit was for FY88.

There were five noted exceptions to the compliance audit guidelines for the 45 responding Division I-AA institutions. One institution had conducted only the FY88 audit the past three years, one had conducted only the FY88 and FY89 audits, and one had conducted the FY89 and FY90 audits. Two of the four institutions which had conducted only the FY90 audits were new member institutions, while the other two institutions were continuing members.

For the 49 reporting Division I-AAA institutions, the research revealed that there were three audit compliance exceptions. One institution had conducted only the FY89 and FY90 audits at the time of the response, one had conducted

only the FY88 and FY89 audits, and one had conducted only the FY90 audit.

Thus, there were a total of 10 audit exceptions from the 141 responses, representing a 7.09% non-compliance rate. The reader should recall that the annual NCAA Certification Compliance statement signed by the institutional president states that there are no known and unreported breeches of compliance with any of the published NCAA regulations.

Survey question number four read as follows: "Please indicate the total institutional budget (all funds) for your institution's intercollegiate athletic program, taken directly from your most recent NCAA financial compliance audit report, to the nearest dollar." However, in an effort to encourage a response, there were three general levels of activity from which to choose, rather than asking for the specific dollar levels for the institutions. The results from the respondents were as follows.

TABLE 2
Total Intercollegiate Athletic Program
Revenues and Expenses By Division

	\$0-2	\$2-10 (in millions)	>\$10	N
Division I-A (49 responses)				
Revenues & Other Support	0	26	23	49
Expenditures	0	27	22	49
Division I-AA (43 responses)				
Revenues & Other Support	12	31	0	43
Expenditures	3	40	0	43
Division I-AAA (49 responses)				
Revenues & Other Support	35	14	0	49
Expenditures	27	22	0	49

It was interesting to note that on the survey, only one Division I-A president reported a higher level of revenue than expenditures. It was also particularly noteworthy that some of the presidents actually filled in the blank with the actual dollar level of revenues and expenditures rather than just checking the level as requested in the question instructions.

Eight of the Division I-AA institutions reported greater expenses than revenues, by category. Eight of the Division I-AAA institutions likewise reported greater expenses by category than revenues. None of the Division I-AA or Division I-AAA institutions reported greater revenues than expenses by category. One Division I-AA institution reported only the level of revenues, and another reported only the level of expenditures.

The fifth survey question asked: "Please indicate whether you as institutional CEO/President approved the intercollegiate athletic program budget for the fiscal year which your most recent NCAA financial compliance audit report covers: Yes _____ No _____ Delegated to: _____." Title

Of the 49 Division I-A respondents to this question, it was found that 36 of the presidents actually approved the athletic program budgets, and 13 presidents delegated approval to a staff member. Of the 45 Division I-AA institutional responses, 36 of the presidents approved the athletic program budgets and 9 delegated the responsibility to a staff member.

A total of 35 of the 50 responding Division I-AAA presidents reported that they approved the athletics program budgets, and 15 presidents delegated the responsibility.

The overall total of 37 institutions which reported that the approval was delegated responded that the responsibility for the intercollegiate athletic program budget review and approval was formally assigned to the following positions.

TABLE 3
Athletic Program Budgetary Approval
By Organizational Position

	Division		
	I-A	I-AA	I-AAA
VP Finance, Business, or Admin.	5	5	5
Vice Chancellor	2		1
Executive VP	2		1
VP for Student Affairs		3	6
VP for University Relations	1	2	
Athletic Board	1		
Athletic Director	1		
University Budget Committee			1
Board of Trustees			1

Two institutions reported that an athletic board or an athletic director approves the athletic program budgets, as delegated by the president. This is surprising for the Division I-A institution which typically involves significant levels of funding and expenditures, said to be purportedly the true focus of the concerns which led to the development and passage of the 1985 NCAA audit legislation.

The sixth question on the survey was designed to determine where the audit reports are initially distributed

within the institution to determine who has formal access to the audit report at the time of its presentation by the external auditors.

The survey question specifically asked: "At your institution, the completed annual NCAA financial compliance audit report is presented formally in an audit exit conference and explained as necessary by the external auditors to (please check as many as apply):"

There were 50 Division I-A respondents to this question, 45 Division I-AA respondents, and 50 Division I-AAA respondents. In addition, many of the respondents reported one or more unlisted positions which regularly attended the audit exit conference.

The researcher noted that one of the Division I-AA institutions reported that only the president attended the audit exit conference, one reported that only the athletic director attended the exit conference, and two reported that only the vice president for finance attended. Likewise, one of the Division I-AAA institutions reported that only the vice president for finance attended, and another reported that only the institutional treasurer attended the exit conference. Table 4 presented on the following page presents the responses received. The responses shown in Table 4 include those which were reported, but which were not included in the survey. The responses which involved external State personnel were included in one category, regardless of the office.

TABLE 4
 Audit Exit Conference Attendees
 By NCAA Division Membership

(Respondents)	Division		
	I-A (50)	I-AA (45)	I-AAA (50)
CEO/President	27	27	33
Athletic Director(s)	37	30	37
VP for Finance.....	28	31	33
VP for Administration	8	10	8
Executive VP	7	4	5
VP for Student Services.....	0	2	3
Athletics Business Manager	27	15	19
Institutional Governing Board	5	3	8
Faculty Athletics Representative.....	6	7	11
Athletics Compliance Coordinator	0	3	7
Treasurer	5	5	9
Internal Audit.....	21	17	18
Budget Officer	11	3	14
Formal Audit Committee	5	3	7
Booster Representatives.....	0	0	1
Athletics Advisory Board	3	0	0
Controller	0	4	3
Board of Regents/Trustees.....	2	0	2
External State Personnel*	1	1	0

*State Finance Committee and State Auditor

Question seven on the survey allowed the respondent to report the non-institutional bodies which also received a copy of the NCAA audit report on a regular basis, by asking: "Please indicate the following non-institutional bodies which also receive a copy of your annual NCAA financial compliance audit report on a regular basis. (Check as many as apply):"

There were 50 Division I-A institutional responses, 42 Division I-AA responses, and 45 Division I-AAA responses to this question. The following Table 5 displays the extent to which it was reported that the NCAA audit reports are distributed to non-institutional bodies.

TABLE 5
 Audit Report Distribution to
 Non-institutional Bodies
 By NCAA Division Membership

<u>(Respondents)</u>	<u>Division</u>		
	<u>I-A</u>	<u>I-AA</u>	<u>I-AAA</u>
	<u>(50)</u>	<u>(42)</u>	<u>(45)</u>
Board of Regents/Trustees	16	18	19
State Budget Office	2	1	4
State Auditor.....	15	12	8
Legislative Auditor/Fiscal Analyst	5	6	3
Central Higher Education System	9	4	11
Governor.....	2	1	2
State Controller/Finance Officer	2	0	0
Boosters/Athletic Board	0	1	1
Auditor General.....	1	1	0
None	21	17	19

Question eight of the survey is the first which indicates how the NCAA audit report is used by institutional presidents. The NCAA financial compliance audit report is prepared in part to alert the institutional president to potential or already existing financial internal control weaknesses in an athletics program. Thus, when an audit report or accompanying auditor's Management Memo from the external auditors reports an internal control weakness, such report should also contain specific recommendations for correcting the situation. It is then incumbent upon the institutional administration to respond and institute the corrective action as required, if there is institutional concurrence with the reported finding and the corrective recommendation.

Question eight of the survey asked: "Please indicate who prepares a formal written response to you as President

regarding the audit recommendations contained in the NCAA financial compliance audit report." As shown in Table 6, the responses were wide-ranging from the 50 Division I-A respondents, the 42 Division I-AA respondents, and the 49 Division I-AAA respondents.

TABLE 6
Formal Audit Response Preparation
By Position

<u>(Respondents)</u>	<u>Division</u>		
	<u>I-A</u>	<u>I-AA</u>	<u>I-AAA</u>
	<u>(50)</u>	<u>(42)</u>	<u>(49)</u>
No written response is prepared	17	7	13
Athletic Director(s)	23	22	19
Internal Audit.....	5.....	11.....	9
VP Business/Finance/Administration	9	6	11
Executive VP	1	2	1
Athletic Audit Committee.....	1.....	0.....	0
External Auditor	1	1	0
Controller	2	0	2
VP for Student Services.....	0.....	0.....	1

Question nine of the survey was prepared to determine to what extent the NCAA audit report recommendations (if any) were being addressed by the institutional presidents. It asked: "Please indicate whether the responsibility for addressing and resolving financial control weaknesses cited in the NCAA financial compliance audit report is formally assigned." The purpose of this question was to determine whether the NCAA audit reports are actually being used by the presidents to identify financial internal control weaknesses, and then whether those identified weaknesses were actually being addressed in a formal manner.

Though closely related to the previous question, the key difference between it and the next question is whether actual action is taken to address and resolve the cited weaknesses, rather than whether a response is simply provided. Thus, a follow-up question asked, "Who assigns the responsibility for the corrective action required, if other than you as President." Again, this is germane to the issue as a reflection of the degree of importance attributed to the NCAA audit report by the president.

Of the 47 Division I-A responses, all 47 advised that the responsibility for addressing and resolving financial control weaknesses cited in the NCAA financial compliance audit report was formally assigned. There were 41 Division I-AA responses, with all but two also citing formal assignment for addressing and resolving financial control weaknesses cited in the NCAA audit report.

All but three of the 49 Division I-AAA responses also reflected that the responsibility was formally assigned. Thus, of the 137 responses received, 96.35% advised that such responsibility was formally assigned, indicating that the NCAA financial audit report is given credence and viewed as important by the presidents, if they follow up on the action.

Likewise, as shown in Table 7, the organizational level at which the assigned responsibility rests reflects the degree of serious consideration attributed to the audit report by the institutional president.

TABLE 7
Position Responsible For
Corrective Action

<u>Position Responsible</u>	<u>Division</u>		
	<u>I-A</u>	<u>I-AA</u>	<u>I-AAA</u>
President	18	21	15
Treasurer/Controller	1	1	2
VP for Finance/Busn/Admin.....	17.....	8.....	17
VP for Student Affairs	1	2	6
VP for University Relations	2	0	2
Executive VP/VP for Operations.....	3.....	3.....	2
Internal Audit	0	2	2
Athletic Director	6	1	6

Question eleven on the survey asked the respondents to mark whether their institution was considered to be primarily public or private. Of the 50 Division I-A respondents, 45 or 90.00% indicated that their institution was public, with five noting that their institution was private. There were 45 Division I-AA respondents, and 35 or 77.78% indicated that their institution was public, with 10 noting that they were associated with private institutions. Out of the 50 Division I-AAA respondents, 28 or 56.00% indicated that their institution was private, while 22 or 44.00% were associated with public institutions.

The twelfth and final question on the first section of the survey instrument asked the respondent to, "Please indicate the stated direct cost of the external auditor engagement for your institution's most recent NCAA financial compliance audit report." There were a larger number of respondents who did not complete this question, with several

public institution representatives noting that the NCAA financial compliance audit was conducted by State auditors as part of their annual financial statement audit. As such, they were not able to separate the costs of the two audits.

There were a total of 40 Division I-A respondents, with 37 reporting from public institutions and three from private institutions. The reported costs for the annual NCAA financial compliance audit ranged from a low of \$4,000 for the private institutions and \$0 for the public institutions, to a high of \$13,000 for the private institutions and \$34,100 for the public institutions. The mean cost for the reporting public institutions was \$10,706 per year. The mean cost of the NCAA audit engagement for the reporting private institutions was \$9,076, a somewhat irrelevant number given that only three private institutions reported the annual cost of the audit.

A total of 29 Division I-AA respondents replied, with 22 from public institutions and 7 from private institutions. The costs for the annual NCAA financial compliance audit were reported to range from a low of \$945 to a high of \$27,000 for a public institution, with a mean cost of \$5,171. The costs for the private institutions ranged from a low of \$1,000 to a high of \$10,000, with a mean cost of \$4,721.

It was interesting to note from the survey that one Division I-AA institution reported that the annual NCAA financial compliance audit was conducted by their internal

audit department at no additional outside cost, a practice specifically not allowed in the NCAA Financial Audit Guidelines.

There were 10 responses from public institutions and 16 from private institutions in the 15 responses from Division I-AAA member institutions. The annual costs of compliance with the NCAA regulations for the NCAA financial audit ranged from a low of \$1,800 to a high of \$30,000, with a mean cost of \$8,430 for the public institutions. For the private institutions reporting, the annual compliance costs ranged from a low of \$1,200 to a high of \$8,000, with a mean cost of \$4,417. A summary of these reported costs should be of particular interest to the institutional presidents, and is shown in Table 8.

TABLE 8
Reported Annual Costs of Compliance
For the NCAA Audit

	Low	High	Mean
Division I-A (reporting)			
Private Institutions (3)	\$ 4,000	\$13,000	\$ 9,706
Public Institutions (37)	0	34,100	<u>10,706</u>
Total			<u>\$10,595</u>
			=====
Division I-AA:			
Private Institutions (7)	\$ 1,000	\$10,000	\$ 4,721
Public Institutions (22)	945	27,000	<u>5,171</u>
Total			<u>\$ 5,063</u>
			=====
Division I-AAA:			
Private Institutions (16)	\$ 1,200	\$ 8,000	\$ 4,417
Public Institutions (10)	1,800	30,000	<u>8,430</u>
Total			<u>\$ 5,961</u>
			=====
All 94 Reporting Institutions:			<u>\$ 7,606</u>
			=====

Three Tests Of Independence: The Likert Scale Responses

The second half of the survey instrument involved the use of a five point Likert scale, ranging from a "1" for disagree strongly to a "5" for agree strongly, for the presidents to use in responding to a series of statements, best described as the 14 dependent variables of this study. These dependent variables as they pertain specifically to the annual NCAA financial compliance audit report were as follows:

1. The degree of concern the presidents felt about the loss of institutional financial control at their institution at the time the financial audit legislation was proposed and enacted.
2. The degree to which the enacted audit legislation has relieved the presidential concerns over the institutional loss of financial control over intercollegiate athletic programs.
3. The ease of using the audit report.
4. The accuracy of the audit report.
5. The inclusiveness of the audit report.
6. The timeliness of presentation of the audit report.
7. The usefulness of the audit report in identifying financial control weaknesses in the athletic programs.
8. The usefulness of the audit report in identifying possible mechanisms to correct those cited internal control weaknesses.
9. The usefulness of the audit report in identifying NCAA program violations.
10. The usefulness of the audit report in the institutional NCAA self-study.
11. The value of the audit report: equal or exceeds the costs.
12. The support for continuing the existing audit requirements.
13. The effectiveness of the audit legislation in relieving presidential concerns of loss of financial control over the institutional athletic programs.
14. The degree of concern still felt by the presidents over the loss of financial control in their athletic programs.

Some of the responding presidents did not respond to all of the survey statements, but it did not appear that there was any particular pattern of avoidance. Since the researcher deemed it crucial that every response be included in the data analysis, the non-responses were appropriately coded as such during the data entry.

There were three identified independent variables against which the dependent variables were tested. The first was the NCAA Division I classification, selected because it was expected by the researcher that the responses to the survey should not and would not be dependent upon which of the three NCAA classifications the institution belonged to.

The second independent variable was the private or public status of the institution, selected because it was expected by the researcher that the responses of the presidents should not vary simply due to the status of their institution. The actual formal approval of the athletic program budget by the institutional president was selected as the third independent variable because it was expected by the researcher that responses would not be dependent upon direct presidential involvement in the athletic program financial reviews.

First Test of Independence: Are The Institutional Responses To The Fourteen Dependent Variables Independent Of The Schools' NCAA Division Classification?

For the first series of tests, the hypothesis underlying all of these tests of independence conducted using Chi-square

analysis, is that "the responses to the survey statements (the dependent variables) are not dependent upon the NCAA Division classification the respondents were in (the independent variable)." The respondents could choose from the printed Likert scale to respond with a: 1-Strongly Disagree; 2-Disagree; 3-No Opinion; 4-Agree; or 5-Strongly Agree.

Upon inspection of the data, it was discovered that there were numerous cells in the model which did not meet the requirement of having 80% or more cells which contained an expected frequency greater than or equal to 5. Thus, the decision was made to collapse the cells so that any response of Strongly Disagree or Disagree was coded "1" and any response of Agree or Strongly Agree was coded "5" for the remainder of the Chi-square analysis. Throughout the remainder of this chapter, responses of "Agree" or "Strongly agree" will be referred to as "Agree," and responses of "Disagree" or "Strongly Disagree" will be referred to as "Disagree."

Statement No. 1: "As an institutional President, I had concerns regarding the loss of institutional financial control over the athletic programs at my institution at the time the NCAA financial audit legislation was proposed and passed."

The Chi-square value was calculated to be 2.76496 and the p-value at 4df was .59790. Thus, the null hypothesis was retained for this statement. However, it is important to note that 72.1% of all 136 respondents disagreed with this statement, and only 10.3% of the respondents agreed with it.

A total of 24 of the 136 respondents (17.65%) reported no opinion on this statement.

Statement No. 2: "The implementation of the NCAA financial compliance audit legislation has fully relieved my earlier concerns over the institutional loss of financial control in our intercollegiate athletic program."

The Chi-square value was calculated to be 5.68835, and the p-value at 4df was .22366. Thus, the null hypothesis was retained for this statement. Of the 126 total responses to this statement, 19.0% agreed, 39.7% had no opinion, and 41.3% disagreed with the statement. Though this statistic does not allow us to draw conclusions, it does cause us to ask why such a high percentage of the presidents responded with no opinion on this statement. One might surmise from this that there was still an uneasiness among the presidents when discussing institutional financial control over athletics.

Statement No. 3: "The audit report is easy for me to read."

The Chi-square value was calculated to be 3.61183, and the p-value at 4df was .46108. Thus, the null hypothesis was retained for this statement. There were a total of 140 responses to this statement, of which 6.4% offered no opinion, 9.3% disagreed, and 84.3% agreed. Responses of agreement ranged from 82.2% for Divisions I-A and I-AA respondents to 88.0% for Division I-AAA respondents.

Statement No. 4: "I have sufficient information at hand to allow me to understand and utilize the financial audit report."

The Chi-square value was calculated to be 7.55802, and the p-value at 4df was .10918. Thus, the null hypothesis was retained for this statement. However, there is again practical use here, in that 90.0% of the 140 total respondents agreed with this statement. Thus, these responses appear to indicate that the existing NCAA financial audit report format contains sufficient financial information presented in an understandable manner for the presidents to use.

Statement No. 5: "The audit report appears to me to be accurate and complete."

The Chi-square value was calculated to be 4.98055, and the p-value at 4df was .28930. Thus, the null hypothesis was retained for this statement, though there is again the presence of practical use, in that 93.6% of the 140 total respondents agreed with this statement. The responses indicate that the Presidents find the NCAA financial audit report to be both accurate and complete for their purposes.

Statement No. 6: "The audit report appears to me to be all-inclusive for my use."

The Chi-square value was calculated to be 3.04436, and the p-value at 4df was .55043. Thus, the null hypothesis was retained for this statement. Of the total 139 responses to this statement, 15.1% disagreed, 12.2% offered no opinion, and 72.7% agreed.

Statement No. 7: "The audit report is provided to me on a timely basis so that I can use it when dealing with the subsequent year athletic department budget(s)."

The Chi-square value was calculated to be .99252, and the p-value at 4df was .91093. Thus, the null hypothesis was retained for this statement. There were 138 total responses, of which 22.5% disagreed, 15.2% offered no opinion, and 62.3% agreed. Without drawing any conclusions, this may indicate the need for the NCAA regulations to be reviewed and possibly revised to require an earlier deadline for the audit report, or the individual institutions may want to move the report deadline to an earlier date in their external audit engagement letter if possible.

Statement No. 8: "The audit report is useful in aiding me to understand when financial control weaknesses exist in our intercollegiate athletic programs."

The Chi-square value was calculated to be 2.44414, and the p-value at 4df was .65467. Thus, the null hypothesis was retained for this statement. There were a total of 137 responses, of which 19.0% offered no opinion, 15.3% disagreed, and 65.7% agreed. Again, without drawing any conclusions, this may indicate a need for the NCAA to review this issue and determine what could be done to substantially increase the reliance on and understandability of the NCAA financial audit report to aid the presidents.

Statement No. 9: "The audit report is useful to me in providing recommendations on how to best correct any financial control weaknesses noted in the audit report."

The Chi-square value was calculated to be 8.75452, and the p-value at 4df was .06754. Thus, the null hypothesis was

retained for this statement. Of the total 137 responses, 68.6% of the respondents agreed, 16.8% offered no opinion, and 14.6% disagreed with the statement.

Statement No. 10: "The audit report is useful to me in aiding our institution to identify NCAA program violations which must be self-reported."

The Chi-square value was calculated to be 7.82350, and the p-value at 4df was .09826. Thus, the null hypothesis was retained for this statement. Of the total 137 responses, 37.2% agreed with the statement, 27.7% offered no opinion, and 35.0% disagreed with this statement. This response may indicate the need for further review to determine why an almost equal number of respondents agreed with the statement as there were respondents who disagreed. If the intent of the NCAA financial audit is to aid the presidents in identifying program violations which must be self-reported, it appears that this intent is not being met by the report.

Statement No. 11: "The audit report has been useful in aiding us to complete our most recent institutional self-study."

The Chi-square value was calculated to be 2.56383, and the p-value at 4df was .63324. Thus, the null hypothesis was retained for this statement. There were a total of 137 respondents, of which 48.9% agreed with the statement, 35.8% offered no opinion, and 15.3% disagreed. An important issue here is that it is unknown how many have done self-studies.

Statement No. 12: "The value of the audit report to me as CEO/President is equal to or exceeds the annual cost of producing the document."

The Chi-square value was calculated to be 7.86020, and the p-value at 4df was .09684. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics appear to indicate that this is perhaps more true for the Division I-A school respondents than it is for the Division I-AA and I-AAA respondents.

Of the 138 respondents, 23.9% had no opinion, 26.8% disagreed, and 49.3% agreed with the statement. The Division I-AA and I-AAA respondents disagreed with this statement, 38.6% and 28.6% respectively, as contrasted with the 13.3% response of disagreement from the Division I-A schools. On the other hand, 60.0% of the Division I-A schools responded in agreement with the statement, in contrast to the 43.2% and 44.9% responses of agreement from the Division I-AA and I-AAA schools.

Statement No. 13: "I support continuance of the NCAA financial audit legislation as it now exists."

The Chi-square value was calculated to be 1.25793, and the p-value at 4df was .86847. Thus, the null hypothesis was retained for this statement, as of the total 140 responses, 10.7% offered no opinion, 15.7% disagreed, and 73.6% agreed with the statement.

Statement No. 14: "I believe that loss of institutional financial control over the intercollegiate athletics program remains a serious concern at this institution."

The Chi-square value was calculated to be 5.69662, and the p-value at 4df was .22298. Thus, the null hypothesis was

retained for this statement. This appears to be a showing of support for the effectiveness of the NCAA financial audit report, as determined using the 140 total responses, 82.9% disagreed, 5.7% had no opinion, and 11.4% agreed. It also appears to be practically useful in that regardless of NCAA institution classification, almost 83% of the responding presidents believe that the loss of financial control is no longer a serious problem at their institution.

Conversely however, the loss of institutional financial control in the intercollegiate athletics program appears to remain a problem at slightly over 11% of the responding institutions. From the perspective of the public which has been generally harshly critical of intercollegiate athletic scandals, this may still not be an acceptable level of "damage control" for the NCAA and the Presidents' Commission.

TABLE 9
Summary of Findings For Hypothesis I:
Responses To The Fourteen Dependent Variable
Questions Are Independent of The NCAA Division
Classification The Respondent Represents In The Survey.

<u>Statement No.</u>	<u>Chi-square Value @α = .05</u>	<u>Degrees of Freedom</u>	<u>P- Value</u>
1.	2.76496	4	.59790
2.	5.68835	4	.22366
3.	3.61183	4	.46108
4.	7.55802	4	.10918
5.	4.98055	4	.28930
6.	3.04436	4	.55043
7.	.99252	4	.91093
8.	2.44414	4	.65467
9.	8.75452	4	.06754
10.	7.82350	4	.09826
11.	2.56383	4	.63324
12.	7.86020	4	.09684
13.	1.25793	4	.86847
14.	5.69662	4	.22298

In summary, there were no statistically significant relationships between the 14 dependent variables and the independent variable, the responding presidents' NCAA Division classification. Thus, the responses to the 14 statements were found to be independent of the NCAA classification the institution is in, in the NCAA Division I program.

Second Test of Independence: Are the institutional responses independent of whether the reporting institution is public or private?

In the second series of Chi-square tests for independence, the hypothesis underlying all the tests is that the responses to the fourteen dependent statements are not dependent upon whether the responding institution is classified as public or private.

Statement No. 1 read, "As an institutional President, I had concerns regarding the loss of institutional financial control over the athletic programs at my institution at the time the NCAA financial audit legislation was proposed and passed."

The Chi-square value was calculated to be 1.08194 using 2df, and the p-value was calculated to be .58218. Thus, the null hypothesis was retained for this statement. However, with 72.1% of the respondents in disagreement with this statement, one must ask whether the problem was as great as envisioned by the Presidents' Commission, or whether the respondents six years later include new presidents who did not perceive the problem of loss of institutional financial control of be an issue at their particular institution.

Statement No. 2 read, "The implementation of the NCAA financial compliance audit legislation has fully relieved my earlier concerns over the institutional loss of financial control in our intercollegiate athletic program."

The Chi-square value was calculated to be .90213 using 2df, and the p-value was calculated to be .63695. Thus, the null hypothesis was retained for this statement, though the response may indicate the need for further study of this issue as well. The response to this statement contradicts the response to the previous statement, as 19.0% agree with this statement and 41.3% of the respondents disagree with this statement. Without drawing conclusions, perhaps the financial control problems of yesteryear continue to exist to a greater degree than the new presidents are willing to admit when speaking of their own institutions.

Statement No. 3 read, "The audit report is easy for me to read."

The chi-square value was calculated to be 3.71654 using 2df, and the p-value was calculated to be .15594. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics appear to indicate that the public institution presidents agree (87.6%) to a larger degree than do the private institution presidents (76.7%) that the NCAA financial audit report is easy to read.

Statement No. 4 read, "I have sufficient information at hand to allow me to understand and utilize the financial audit report."

The Chi-square value was calculated to be 1.37617 using 2df, and the p-value was calculated to be .50254. Thus, the null hypothesis was retained for this statement, with 89.7% of the public institution respondents and 90.7% of the private institution respondents agreeing with this statement.

Statement No. 5 read, "The audit report appears to me to be accurate and complete."

The Chi-square value was calculated to be 3.83334 using 2df, and the p-value was calculated to be .14710. Thus, the null hypothesis was retained for this statement, with 95.9% of the public institution and 88.4% of the private institution respondents in agreement with this statement.

Statement No. 6 read, "The audit report appears to me to be all-inclusive for my use."

The chi-square value was calculated to be 3.02453 using 2df, and the p-value was calculated to be .22041. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics point out that 7.1% of the private institution respondents disagree, as do 18.6% of the public institution respondents. Thus, there appears to be greater level of dissatisfaction with the scope of the NCAA financial audit report from the public institution respondents.

Statement No. 7 read, "The audit report is provided to me on a timely basis so that I can use it when dealing with the subsequent year athletic department budget(s)."

The Chi-square value was calculated to be .91036 using 2df, and the p-value was calculated to be .63433. Thus, the

null hypothesis was retained for this statement. Relying upon the descriptive statistics, there appears to be a greater deal of satisfaction among the private institution respondents who agree (68.3%) than there is among the public institution respondents who agree (59.8%) with this statement.

Statement No. 8 read, "The audit report is useful in aiding me to understand when financial control weaknesses exist in our intercollegiate athletic programs."

The Chi-square value was calculated to be 1.25013 using 2df, and the p-value was calculated to be .53523. Thus, the null hypothesis was retained for this statement. The responses from both public and private institutions in agreement were 65.9% and 65.6% respectively.

Statement No. 9 read, "The audit report is useful to me in providing recommendations on how to best correct any financial control weaknesses noted in the audit report."

The Chi-square value was calculated to be 1.70384 using 2df, and the p-value was calculated to be .42659. Thus, the null hypothesis was retained for this statement, again with a very similar response of agreement from the public and private institutions, 68.8% and 68.3% respectively. The private institution respondents did have a higher degree of dissatisfaction (19.5%) than did the public institution respondents (12.5%) for this statement. A dissatisfaction rate this high may indicate a need for review in this area.

Statement No. 10 read, "The audit report is useful to me in aiding our institution to identify NCAA program violations which must be self-reported."

The Chi-square value was calculated to be .85647 using 2df, and the p-value was calculated to be .65166. Thus, the null hypothesis was retained for this statement. The descriptive statistics appear to indicate a need for review and revision of the report to serve this purpose, if that is truly one of the intents of the report. The public institution respondents were almost evenly divided between disagreement (36.8%) and agreement (34.7%), and the private institution respondents were only slightly more separated between disagreement (31.0%) and agreement (42.9%) with this statement. With a growing reliance on self-reporting, this may represent an area of focus for needed change.

Statement No. 11 read, "The audit report has been useful in aiding us to complete our most recent institutional self-study."

The Chi-square value was calculated to be .39743 using 2df, and the p-value was calculated to be .81978. Thus, the null hypothesis was retained for this statement. Again however, 14.4% of the public institution respondents and 17.5% of the private institution respondents disagree with this statement. Since the institutional self-study is required by the NCAA, and if one of the purposes of the NCAA financial audit report is to aid the institutions in self-study, then perhaps this is another area which the NCAA and Presidents' Commission can focus upon for change and improvement.

Statement No. 12 read, "The value of the audit report to me as CEO/President is equal to or exceeds the annual cost of producing the document."

The Chi-square value was calculated to be 2.44532 using 2df, and the p-value was calculated to be .29445. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics point out a level of dissatisfaction of considerable degree, as 22.9% of the public institution respondents and 35.7% of the private institution respondents disagreed with this statement.

During these times of increasing costs and declining resources in higher education, the prudent president tries to ensure that benefits are received for every dollar spent. This will continue to be an issue which grows in support in the coming years as national demographics indicate a shrinking student population. Regardless of whether the issue is to provide a more beneficial product for the money or reduce the cost of the product, it appears that there is an opportunity for further study and improvement in this area.

Statement No. 13 read, "I support continuance of the NCAA financial audit legislation as it now exists."

The Chi-square value was calculated to be 6.09563 using 2df, and the p-value was calculated to be .04746. Thus, the null hypothesis was rejected for this statement, indicating that the responses to this statement were not independent of whether the respondents were from a public or a private institution. From the private institution respondents, 23.8% disagreed with this statement and 59.5% agreed, with 16.7% voicing no opinion. The public institution respondents

disagreed at a lesser level, 12.2% and agreed at a higher level, 79.6%, with 8.2% voicing no opinion.

This statistically tells us that the public institution respondents support the continuance of the NCAA financial audit legislation as it now exists, whereas the private institution respondents support it to a significantly lesser degree. However, taking into account that a 5.0% error factor was used in this analysis, one could expect to find slightly over two items of statistical significance in these Chi-square tests simply by chance alone (42 tests times five percent). Thus, this statistical significance may have occurred simply by chance alone.

Statement No. 14 read, "I believe that loss of institutional financial control over the inter-collegiate athletics program remains a serious concern at this institution."

The Chi-square value was calculated to be 6.41010 using 2df, and the p-value was calculated to be .04056. Thus, the null hypothesis was rejected for this statement, again indicating that the responses to this statement were not independent of whether the responses were from a public or a private institutional respondent. Of the private institution respondents, 71.4% disagreed with this statement, and 21.4% agreed. From the public institution respondents, 87.8% disagreed and 7.1% agreed with this statement. Again however, due to the 5.0% error rate, this statistical significance may have occurred simply by chance alone.

The NCAA and Presidents' Commission could perform select studies to better determine whether there was any valid basis to the statistical significance of these two findings. Simply by looking at the correlation between the number of self-reported violations and other violations found by the NCAA, credence could be added to these findings if there were positive correlations between the private institutions and the number of total violations, as compared to the public institutions and the total number of violations.

TABLE 10
 Summary of Findings For Hypothesis II:
 Responses To The Fourteen Dependent Variable
 Questions Are Independent of Whether The Respondents
 Were From Public or Private Institutions.

<u>Statement No.</u>	<u>Chi-square Value @ $\alpha = .05$</u>	<u>Degrees of Freedom</u>	<u>P- Value</u>
1.	1.08194	2	.58218
2.	.90213	2	.63695
3.	3.71654	2	.15594
4.	1.37617	2	.50254
5.	3.83334	2	.14710
6.	3.02453	2	.22041
7.	.91036	2	.63433
8.	1.25013	2	.53523
9.	1.70384	2	.42659
10.	.65847	2	.65166
11.	.39743	2	.81978
12.	2.44532	2	.29445
13.	6.09563*	2	.04746
14.	6.41010*	2	.04056

*Indicates a statistically significant relationship

In summary, two of the null hypotheses for the second series of tests of independence were rejected, as the p-values were calculated and the Chi-square values were found to be

statistically significant. The presence of statistical significance is meaningful only if it is taken into account that using a 5% error rate in the data analysis, we could expect at least two errors of statistical significance simply by chance alone. Without further study and analysis, it is not possible to determine whether these two findings result from chance alone, nor does it imply that these two findings are necessarily errors by virtue of the fact that two were found.

Third Test of Independence: Are The Institutional Responses Independent Of Whether Or Not The President Annually Approves The Intercollegiate Athletic Program Budgets?

For the third series of Chi-square analysis, the hypotheses are that the responses to the fourteen statements are not dependent upon whether or not the President actually approved the annual intercollegiate athletic program budget.

Statement No. 1 read, "As an institutional President, I had concerns regarding the loss of institutional financial control over the athletic programs at my institution at the time the NCAA financial audit legislation was proposed and passed."

The Chi-square value was calculated to be .60756 using 2df, and the p-value was calculated to be .73802. Thus, the null hypothesis was retained for this statement, with 71.7% of the presidents who annually approve the athletic program budget disagreeing, and 72.4% of those who delegate approval of the athletic program budget disagreeing with this statement.

Statement No. 2 read, "The implementation of the NCAA financial compliance audit legislation has fully relieved my earlier concerns over the institutional loss of financial control in our intercollegiate athletic program."

The Chi-square value was calculated to be .23945 using 2df, and the p-value was calculated to be .88717. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics point out that 40.8% of the presidents who approve the athletic program budget and 40.7% of those who delegate approval of the athletic program budget disagree with this statement. This would seem to indicate that there is still a large degree of concern over institutional loss of financial control in the intercollegiate athletic programs.

Statement No. 3 read, "The audit report is easy for me to read."

The Chi-square value was calculated to be 3.15356 using 2df, and the p-value was calculated to be .20664. Thus, the null hypothesis was retained for this statement, with an overall response of 84.2% agreeing with the statement, 85.3% of those presidents who approve the athletic program budget and 80.0% of those presidents who delegate approval of the athletic program budget.

Statement No. 4 read, "I have sufficient information at hand to allow me to understand and utilize the financial audit report."

The Chi-square value was calculated to be 3.79858 using 2df, and the p-value was calculated to be .14967. Thus, the null hypothesis was retained for this statement. Of those

presidents who annually approve the athletic program budget, 89.9% agreed with this statement, and 90.0% of the presidents who delegate annual approval of the athletic program budget agreed with this statement.

Statement No. 5 read, "The audit report appears to me to be accurate and complete."

The Chi-square value was calculated to be 1.93650 using 2df, and the p-value was calculated to be .37975. Thus, the null hypothesis was retained for this statement, with an even higher level of agreement than the previous questions, voiced by both the presidents who annually approve the athletic program budgets (92.7%) and those who delegate approval of the athletic program budgets (96.7%).

Statement No. 6 read, "The audit report appears to me to be all-inclusive for my use."

The Chi-square value was calculated to be 1.27795 using 2df, and the p-value was calculated to be .52783. Thus, the null hypothesis was retained for this statement. It is noted that the descriptive statistics suggest that there is a higher level of dissatisfaction regarding the completeness of the audit report by those presidents who actually approve the athletic program budgets (16.7%) than there is by the presidents who delegate approval of the athletic program budgets (10.0%). The researcher can only wonder if this is because the presidents who delegate budget approval have distanced themselves too far from the athletic program financial realities.

Statement No. 7 read, "The audit report is provided to me on a timely basis so that I can use it when dealing with the subsequent year athletic department budget(s)."

The Chi-square value was calculated to be 8.10546 using 2df, and the p-value was calculated to be .01737. Thus, the null hypothesis was rejected for this statement, with 68.2% of the presidents who approve the athletic program budgets agreeing, and only 43.3% of the presidents who delegate approval of the athletic program budgets agreeing.

It could be interpreted that either the NCAA audit reports in general are not submitted on a timely basis to the president, or that the president does not pass the audit report on to those who have delegated authority to approve the athletic program budgets. This statistic does not address that issue, only that the response to the statement is dependent upon whether the president approves or delegates approval of the athletic program budget.

Statement No. 8 read, "The audit report is useful in aiding me to understand when financial control weaknesses exist in our intercollegiate athletic programs."

The Chi-square value was calculated to be 2.15280 using 2df, and the p-value was calculated to be .34082. Thus, the null hypothesis was retained for this statement, though only 62.3% of the presidents who approve the athletic program budget agreed, and 76.7% of the presidents who delegate approval of the athletic program budget agreed with this statement.

Statement No. 9 read, "The audit report is useful to me in providing recommendations on how to best correct any financial control weaknesses noted in the audit report."

The Chi-square value was calculated to be 1.25736 using 2df, and the p-value was calculated to be .53329. Thus, the null hypothesis was retained for this statement.

Statement No. 10 read, "The audit report is useful to me in aiding our institution to identify NCAA program violations which must be self-reported."

The Chi-square value was calculated to be 3.29597 using 2df, and the p-value was calculated to be .19244. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics indicate a similar division of opinion as the previous questions about whether the NCAA audit report is useful to the institution in identifying program violations which must be self-reported. Of the responding presidents who approve the athletic program budgets, 33.0% disagreed with this statement and 41.5% agreed. Of the responding presidents who delegate athletic program budget approval, 43.3% disagreed and 23.3% agreed with this statement. Again, this is perhaps an area which should be reviewed by the NCAA and the President's Commission for revision.

Statement No. 11 read, "The audit report has been useful in aiding us to complete our most recent institutional self-study."

The Chi-square value was calculated to be 5.24122 using 2df, and the p-value was calculated to be .07276. Thus, the null hypothesis was retained for this statement, though the

descriptive statistics show that 54.2% of the presidents who approve the athletic program budget agree with the statement, whereas only 31.0% of the presidents who delegate approval of the athletic program budget agree. Interestingly, 32.7% of the presidents who approve the athletic program budget voiced no opinion on this topic, and 44.8% of the presidents who delegate athletic program budget approval voiced no opinion.

Statement No. 12 read, "The value of the audit report to me as CEO/President is equal to or exceeds the annual cost of producing the document."

The Chi-square value was calculated to be 3.82325 using 2df, and the p-value was calculated to be .14784. Thus, the null hypothesis was retained for this statement. The descriptive statistics reveal that 23.3% of the presidents who delegate athletic program budget approval disagree with this statement, 36.7% voiced no opinion, and 40.0% agreed with this statement. The range for the presidents who annually approve the athletic program budget was wider between disagreement (28.0%) and agreement (52.3%). This appears to represent a certain degree of ambivalence about either the cost of the report or its value, but still fairly high dissatisfaction.

Statement No. 13 read, "I support continuance of the NCAA financial audit legislation as it now exists."

The Chi-square value was calculated to be 4.90611 using 2df, and the p-value was calculated to be .08603. Thus, the null hypothesis was retained for this statement, with 71.3% of the presidents who approve the athletic program budget

agreeing and 80.6% of the presidents who delegate approval of the athletic program budget agreeing with the statement.

Statement No. 14 read, "I believe that loss of institutional financial control over the inter-collegiate athletics program remains a serious concern at this institution."

The Chi-square value was calculated to be .90907 using 2df, and the p-value was calculated to be .63474. Thus, the null hypothesis was retained for this statement. However, the descriptive statistics do reveal that a higher number of presidents who delegate athletic program budget approval agree with the statement (16.1%) than do the presidents who approve the athletic program budget themselves (10.2%). While not addressed by this statistic, this could point to a combined perception and communication problem as a result of the presidents distancing themselves from the actual financial reviews of the athletic program budgets and activity.

It might have been a logical expectation that if the institutional president did not approve the annual athletic program budget, opting instead to delegate that authority, the president would be enough removed from the financial operations of the program that responses to the questions would have revealed more statistically significant findings of dependence. Instead, the research reveals that the only statistically significant dependence evolves around the question of whether or not the audit report is all-inclusive, as shown in Table 11.

TABLE 11
 Summary of Findings For Hypothesis III:
 Responses To The Fourteen Dependent Variable Questions Are
 Independent of Whether The Respondents Approve The Annual
 Intercollegiate Athletic Budgets On An Annual Basis.

<u>Statement No.</u>	<u>Chi-square Value @α = .05</u>	<u>Degrees of Freedom</u>	<u>P- Value</u>
1.	.60756	2	.73802
2.	.23945	2	.88717
3.	3.15356	2	.20664
4.	3.79858	2	.14967
5.	1.93650	2	.37975
6.	1.27795	2	.52783
7.	8.10546*	2	.01737
8.	2.15280	2	.34082
9.	1.25736	2	.53329
10.	3.29597	2	.19244
11.	5.24122	2	.07276
12.	3.82325	2	.14784
13.	4.90611	2	.08603
14.	.90907	2	.63474

*Indicates a statistically significant relationship

In summary, the third series of tests of independence revealed one finding of statistical significance. Again, based upon the discussion of anticipated findings of statistical significance by chance alone as the result of using a 5% error rate in the analysis, it cannot be determined whether this occurred by chance alone without further testing.

In summary, three of the 42 analyses conducted using the Chi-square test for data analysis resulted in findings of statistical significance. They did not address the reasons for the existence of that statistical significance, nor did they reveal the identity of any of the reasons for the existence of statistical significance.

In these tests, an alpha error rate of 5% was used, and we would expect at least two findings of statistical significance simply by chance alone. It is impossible to determine which of the findings of statistical significance in these tests occurred simply by chance alone, if in fact any did, using the Chi-square test. However, the descriptive statistics which appeared for the various statements can be of use in determining where future research efforts should be focused which would most benefit the member institutions, and the presidents in their vast and difficult management and oversight role. It would seem that the more useful and beneficial the NCAA financial audit report, the more willing the institutional presidents would be to support the program and pay the cost of compliance with this NCAA program regulation.

CHAPTER V

SUMMARY & CONCLUSION

The purpose of this research was to determine whether the NCAA Division I school presidents believed that implementation of the 1985 NCAA annual financial audit requirement had fully addressed their earlier collective concerns about the loss of institutional financial control over their intercollegiate athletic programs. A secondary purpose of this research was to determine the annual individual and collective cost of implementing the financial audit requirement, and whether the presidents believed that the annual audit was worth the cost to their respective institution.

These determinations were accomplished through the use of a written survey to gather the data, and through the statistical analysis of the data using Chi-square testing. A series of fourteen dependent variables were tested for independence with three independent variables. It was statistically determined that there were three findings of statistical significance in the 42 Chi-square tests. Since an alpha error rate of 5% was established for these tests, it was expected that at least two findings of statistical significance would occur due to chance alone. It was not determined in this research whether any of the findings of statistical significance were in fact due to chance alone.

It is more important to look at what the lack of findings of statistical significance reveal rather than what the findings of statistical significance themselves tell us. For example, one may assume that there would be different responses to the survey from large colleges and universities with big-time money-making athletic programs with huge followings than there would be from the smaller colleges and universities with smaller intercollegiate athletic programs and perhaps smaller followings of sports zealots and supporters.

However, the survey results and Chi-square analysis revealed that there were no findings of statistical significance among the responses provided by the Division I-A school presidents, the Division I-AA presidents, and the Division I-AAA presidents. The implication is that regardless of the size of the institution, its intercollegiate athletic program, or the related budget, the annual financial audit and report are serving the same basic purposes for the institutional presidents.

It is interesting to note that 72.1% of the respondents did not agree that there were concerns about the loss of institutional financial control over the athletic programs at their respective institutions in 1985 when the financial audit legislation was passed. This was certainly not the message that the members of the Presidents' Commission were trying to portray to the press and the public, but it may simply reflect

the relatively rapid turnover rates of presidents. However, it may also reflect the passage of legislation to appease the critics of a few highly visible athletic programs which were under siege by the public and the press for rules infractions at that time. While the survey data does not allow the determination of such issues, it does pose an interesting scenario for further study. One should ask, was there really a significant problem there, at least from the perspective of the institutional presidents, or was the NCAA financial audit legislation a knee-jerk reaction to the vociferous public clamor for action?

This perspective is upheld to a certain degree by the finding that 11.4% of the respondents agree that the loss of institutional financial control remains a serious problem at this time. If 82.9% of the respondents disagree that the loss of institutional financial control remains a serious problem, then one may reasonably draw the conclusion that the implementation of the NCAA financial audit legislation was successful in addressing and resolving the problems the presidents had.

A somewhat contrary finding is that 19.0% of the respondents agree that the implementation of the NCAA financial compliance audit legislation has relieved their concerns regarding the loss of institutional financial control over the intercollegiate athletics programs. The 41.3% of the survey respondents who disagreed with the statement that the

financial audit legislation had relieved their earlier concerns may in essence be saying that they are still not convinced that they have achieved a satisfactory level of institutional financial control over their intercollegiate athletic programs.

Though no conclusions can be drawn from the 39.7% of the respondents who expressed no opinion on the matter, 19.0% of the respondents have said that they are basically not very comfortable that they have achieved institutional financial control of their intercollegiate athletics programs. This is markedly different from the calculated 7.09% non-compliance rate for ensuring that the annual NCAA financial audit is performed, as reported on the survey. Nonetheless, this is a critical issue for the institutional presidents and the Presidents' Commission, and is basic to the determination of whether the NCAA financial audit requirement has met its intended purpose.

On a more positive note, 84.3% of the respondents noted that the existing NCAA financial audit report is easy to read. The NCAA staff is currently preparing to survey the membership in an effort to determine what the presidents like and dislike about the audit report. While 90.0% of the respondents agreed that sufficient information was provided in the audit report to allow it to be understood and utilized, the conclusion as to whether the presidents are getting the information which they want to see in the report simply cannot be reached.

The vast majority of the respondents, 93.6%, agreed that the existing audit report was accurate and complete, and 72.7% agreed that the existing audit report format was all-inclusive for use by the institutional presidents. This contrasts sharply with only 37.2% of the respondents who agreed that the NCAA audit report was useful to the institutions in identifying NCAA program violations which must be self-reported.

With 35.0% of the respondents disagreeing that the audit report was useful for this purpose, and 27.7% offering no opinion, this whole issue remains open for further study. One must ask the very basic of question of why the existing audit report was not found to be useful; was it due to a lack of desired information or to the manner in which it is presented. Again, conclusions simply cannot be drawn from this data.

For example, does the existing audit report not address those NCAA program violation areas which must be self-reported, or are the violations simply not being reported to the NCAA. An even more basic question is whether the audit report was intended to serve the purpose of aiding the institutions in identifying NCAA program violations. There is rich potential for additional research which could be done in this area to determine the existence and extent of a correlation between the implementation date of the NCAA financial audit legislation and the frequency of self-reported violations.

A similar study could be based upon the findings that 48.9% of the respondents agreed that the existing financial audit report was useful in completing the institutional NCAA self-study. If 35.8% of the respondents who had no opinion on this statement have completed an institutional self-study, one would perhaps draw a very different conclusion than if those respondents had not yet prepared an institutional self-study. If research revealed that such a correlation existed, that only those who have not yet used it for a self-study had no opinion about it, then the additional research efforts in this area could be more focused on how the audit could be expanded to be more meaningful and useful for this purpose without compromising its other uses.

A total of 62.3% of the respondents agreed that the audit report was provided in a timely enough manner to allow its use when dealing with the subsequent year athletic program budget. While the NCAA Financial Audit Guideline requires that the audit must be completed within one fiscal year of the period under audit, this is an issue which can easily be addressed for the benefit of the 22.5% of the respondents who disagreed that the audit report was provided in a timely manner.

The institutions have the control to set the specific dates on which the completed audit reports must be delivered, determined by the institution at the time that they contract for an external audit engagement. For those institutions which rely upon State auditors to prepare the audit report,

they would do well to educate the State auditors about the true purpose of the audit and the need for a timely audit report. Everyone is best served by the audit report being completed and available for use in a timely manner.

It was professionally disappointing to learn that 15.3% of the respondents disagreed that the audit report was useful in aiding the president to understand when financial control weaknesses exist in athletics. Equally disturbing was the finding that 14.6% of the respondents disagreed that the audit report was useful in providing recommendations on how to best correct any financial control weaknesses noted in the audit report. Given the funds being individually and collectively spent, not to mention the professional working standards for auditors, the institutional presidents have every right to expect, and in fact demand, that the auditors provide realistic and attainable solutions to any internal financial control weakness worthy of citing in the audit report. Even concerns about less important financial control weaknesses which appear in the accompanying management memo should be addressed with professional, realistic solutions recommended by the auditors.

This leads us to one of the more important findings, that 49.3% of the respondents believe that the value of the NCAA financial compliance audit report is equal to or exceeds the annual cost of producing the report. If not perceived as a cost effective expenditure, then it is either going to drop

on the institutional spending priority list until it is no longer done on an annual basis, or the expenditure will be made in an increasingly begrudging manner. Neither is a good alternative for the institutions, nor for the NCAA.

In this era of crisis fiscal management and program reductions on the academic side of the house, institutional management is being forced into difficult decisions and priority rankings of programs and activities. It thus behooves the NCAA to carefully examine what it is that the presidents want which will accomplish the dual missions of maintaining institutional financial control over the athletic programs, and providing the information sought by the institutions for self-study and self-reporting. It is only when the presidents perceive that this information is available in an accurate, readable, easily understood, all-inclusive, and meaningful audit report which is available on a timely basis, will there be true support for the financial audit requirement set forth in the NCAA Manual.

One action which should be given serious consideration by the NCAA and the Presidents' Commission is the acceptance of an institution's internal audit function performing the audit, rather than contracting the audit work to external auditors. All internal audit functions in higher education are held to a high degree of professional standards and ethics, the internal auditors are typically more knowledgeable about the athletic program activities and events than the

external auditors could ever be, and the internal auditors could generally provide a very cost beneficial audit report without adding to the fear of the presidents or athletic personnel that dirty laundry may be aired.

It may also encourage the continuance of the annual audit at a time when the financial resources for external auditors could be better spent on any number of other priorities. The NCAA should seek acceptance of internal audit work for the annual financial audit as a means of showing the presidents that they are aware of the fiscal crisis and that they, too are concerned about cost containment during these tight fiscal times.

The result of allowing internal audit to conduct the annual NCAA financial audit and prepare the audit report may be reflected in the future in increased institutional support for the NCAA audit legislation. Though 73.6% of the respondents agreed with the statement that they support the audit as it now exists, that represents only about one third of the total Division I population. Some of the presidents responded that the audit duplicated their annual audit efforts, and that the audit was symbolic of the bureaucratic growth of the NCAA. Any reasonable changes which can be made at little or no direct cost to the institutions, which will ultimately increase institutional support for the NCAA financial audit legislation, would do well to be given serious consideration by the many constituencies which must play a

part in this scenario. The greater the support, the more widespread the practice and compliance, and the more meaningful the action in terms of meeting its intended purpose.

Recommendation Summary

This research has revealed that the NCAA financial audit legislation has generally addressed the concerns of the NCAA Division I presidents, with regard to the institutional loss of financial control over the intercollegiate athletic programs. However, there remains some degree of concern about certain aspects of the existing audit report, as well as the cost of the annual audit report, and the fact that the audit report is even required, in some cases. These recommendations are offered as corrections.

First, the NCAA and the Presidents' Commission should take the necessary action to amend the NCAA Financial Audit Guide and the NCAA Manual so that the member institutions can choose between using external auditors or internal auditors to conduct the annual audit and prepare the report. For appearances, or due to a lack of internal audit staff, some institutional presidents may choose to continue using external auditors for the NCAA financial audit engagement. However, I believe that other institutional presidents who may have adequate internal audit staff, would likely opt to use them as a means of containing costs, or because internal audit is

likely more familiar with and better able to perform the job than external auditors are.

The Presidents' Commission should reinforce the concept of and underlying purpose of the NCAA financial audit to the NCAA member presidents. The many new institutional presidents must understand the need for the audits, and must support them, as a means of protecting the institution, and higher education in general, from the harsh public criticism over a perceived or real lack of fiscal accountability in the athletic programs. Those presidents who were in presidential positions in 1985 must be reminded of the spirit of the NCAA financial audit legislation, and the need to keep from becoming complacent as the public clamor diminishes.

While the intercollegiate athletics program is a financial boon to a few and a burden to many institutions, athletics remains a highly visible arm of the institutions, and it generates and consumes significant monies. It is imperative that the NCAA member presidents take the financial audit requirement seriously, and use the resulting audit report to aid them in their management of and accountability for their intercollegiate athletic programs. The audit report must serve its intended purpose, both in form and in function, or the money for the audit engagement is not being spent wisely.

The NCAA member presidents, and those whom they delegate the annual financial audit responsibility to, must demand that

the audit engagement contract and terms meet their needs as consumers. The audit report must be easy to read, accurate, all-inclusive, meaningful, and delivered in a timely manner, or it simply isn't serving its intended purpose for the presidents. All of the audits must at least include the minimum agreed upon procedures set forth in the audit guide, but the presidents should not be hesitant to expand the audit scope to address their specific institutional issues and concerns.

Issues For Further Study

There are a number of issues which readily avail themselves to further study. The most basic is the careful determination of what the NCAA member presidents believe the scope and function of the audit report should be. For example, should the report include academic issues such as athlete graduation rates and rates of academic progress for athletes? This would expand the audit from a strictly financial review. The auditors are not there to judge quality, but instead, are there to lend assurances to the accuracy of the data.

On a similar note, a determination must be made as to whether the annual audit report is intended to address the NCAA program violations which may surface during the course of the financial audit. The concept of self-reporting is noble, but the survey data does not support the theory that

the known program violations are appearing in the audit report, or that they are being reported by the institutions. Significant research could be done in this arena to determine how all the related aspects should logically fit together, and whether they belong in the financial audit report. The same discussion applies to the institutional self-study issue.

Another stage for continued research rests with the need for the NCAA and the Presidents' Commission to again commission an independent survey of member presidents to reassess the concerns of the presidents, what they like and dislike about the existing audit requirement and report, and what they would like to see changed, included, or excluded from the requirements to meet today's needs. If only slightly less than half the respondents agreed that the value of the existing audit report was equal to or greater than the annual cost of producing the report, it would appear that there is a broad latitude and significant potential for additional research in this area to see what can be done to gain greater support.

James Michener was eloquently critical of the many practices in intercollegiate athletics which left a poor taste in the mouth of the collective public. The institutional presidents responded via the Presidents' Commission by drafting, proposing, and passing the NCAA financial audit legislation. They imposed the annual financial compliance audit requirement on themselves, in a mode of proactive

problem resolution, rather than waiting to react to actions taken by other groups to gain control of the situation. Though we still see occasional press accounts and hear the public outcry against NCAA member institution practices which violate both the spirit and the letter of the NCAA program regulations, the presidents appear to have in fact again gained institutional financial control over their intercollegiate athletic programs.

There are now many opportunities for additional research to aid the presidents and the Presidents' Commission in retaining that level of control which now appears to exist. Be it through expansion of the audit to include some of the academic issues such as admissions practices or graduation rates, or through the establishment of an academic issue audit report to address the non-financial matters related to intercollegiate athletics, there is still a public demand for institutional control over athletics. Again, the presidents would be wise to see that demand and respond through their own initiatives rather than having their programs besieged by external regulators who are often not in a position of even understanding what is practical in today's intercollegiate athletic arena. A proactive rather than a reactive stance will only serve to elevate higher education, the institutions, and the people, in the eyes of the critics and the general public. At a time when there is a great need for widespread support for higher education in general, the institutional

presidents have an opportunity where everything they do to foster integrity and credibility will be visible. On the other hand, they may be harshly judged for actions they do not take to resolve the problems and issues in the highly visible athletic programs, and higher education in general may pay an unspeakable price for years to come. The time for those actions is now.

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APPENDICES

APPENDIX A
The Survey Instrument

NCAA Audit Legislation Survey

1) Please indicate whether your institution has conducted the NCAA annual intercollegiate athletics program financial compliance audit for your institution's three most recent fiscal years:

_____ Yes, for fiscal year 1990.

_____ Yes, for fiscal year 1989.

_____ Yes, for fiscal year 1988.

2) Please indicate the date of your institution's most recent fiscal year end: _____ / _____
Month Year

3) Please indicate the most recent date of completion/presentation shown on your institution's most recent NCAA financial compliance audit report: _____ / _____
Month Year

4) Please indicate the total institutional budget (all funds) for your institution's intercollegiate athletics program, taken directly from your most recent NCAA financial compliance audit report, to the nearest dollar:

	\$0-2	\$2-10	Over \$10
(Please Check _____)	(in Millions)		
Total revenues & other support:	_____	_____	_____
Total expenditures:	_____	_____	_____

5) Please indicate whether you as institutional CEO/President approved the intercollegiate athletic program budget for the fiscal year which your most recent NCAA financial compliance audit report covers: Yes _____ No _____, Delegated to:

_____ Title

6) At your institution, the completed annual NCAA financial compliance audit report is presented formally in an audit exit conference and explained as necessary by the external auditors to: (Please check as many as apply)

- | | |
|--|-------------------------|
| _____ CEO/President | _____ Treasurer |
| _____ Athletic Director(s) | _____ Internal Audit |
| _____ VP for Finance | _____ Budget Officer |
| _____ VP for Administration | _____ Formal Audit Cmte |
| _____ Executive VP | _____ Booster Reps |
| _____ Athletics Business Manager | |
| _____ Institutional Governing Board | |
| _____ Faculty Athletics Representative | |
| _____ Athletics Compliance Coordinator | |
| _____ Other (please specify) Board/Committee _____ | |

7) Please indicate the following non-institutional bodies which also receive a copy of your annual NCAA financial compliance audit on a regular basis: (Check as many as apply)

- Board of Regents
- State Budget Office
- State Auditor
- Legislative Body: Legislative Audit Fiscal Analyst
- Central Higher Education System Office
- Other (please specify) _____
- None

8) Please indicate who prepares a formal written response to you as President regarding the audit recommendations contained in the NCAA financial compliance audit report:

- No written response is prepared
- Athletic Director(s)
- Internal Audit
- Other (please specify) _____

9) Please indicate whether the responsibility for addressing and resolving financial control weaknesses cited in the NCAA financial compliance audit report is formally assigned:

Yes No

10) Who assigns the responsibility for the corrective action required, if other than you as president:

Title _____

11) Please indicate whether your college/university is considered to be primarily:

Public
Private

12) Please indicate the stated direct cost of the external auditor engagement for your institution's most recent NCAA financial compliance audit report:

\$ _____

Using the following scale, please respond to each of the following statements with regard to the NCAA financial compliance audit report for your institution, and from your specific perspective:

Strongly Disagree 1 2 3 4 5 Strongly Agree

- ___ As an institutional President, I had concerns regarding the loss of institutional financial control over the athletic programs at my institution at the time the NCAA financial audit legislation was proposed and passed.
- ___ The implementation of the NCAA financial compliance audit legislation has fully relieved my earlier concerns over the institutional loss of financial control in our intercollegiate athletic programs.
- ___ The audit report is easy for me to read.
- ___ I have sufficient information at hand to allow me to understand and utilize the financial audit report.
- ___ The audit report appears to me to be accurate & complete.
- ___ The audit report appears to be all-inclusive for my use.
- ___ The audit report is provided to me on a timely basis so that I can use it when dealing with the subsequent year athletic department budget(s).
- ___ The audit report is useful in aiding me to understand when financial control weaknesses exist in our programs.
- ___ The audit report is useful to me in providing recommendations on how to best correct any financial control weaknesses noted in the audit report.
- ___ The audit report is useful in aiding us to identify NCAA program violations which must be self-reported.
- ___ The audit report has been useful in aiding us to complete our most recent institutional NCAA self-study.
- ___ The value of the audit report to me is equal to or exceeds the annual cost of producing the document.
- ___ I support continuance of the NCAA financial audit legislation as it now exists.
- ___ I believe that loss of institutional financial control over the intercollegiate athletics program remains a serious concern at this institution.

APPENDIX B

Transmittal Letter, Initial Mailing

Thomas H. Gibson
Department of Education
Montana State University
Bozeman, MT 59717-0288

President
University.....
Address.....
City, State Zip + 4

July 8, 1991

Ref: NCAA Financial Audit Legislation

Dear President

For the past ten years, I have been a professional internal auditor in higher education, and I am also a doctoral student in a Higher Education Administration program. My dissertation is being written on the effectiveness of the 1985 NCAA financial audit legislation enacted to address presidential concerns about the loss of institutional financial control over athletic programs. My research requires the completion of the attached brief survey by each NCAA Division I school President. Using your institution's most recent NCAA financial audit report, the survey should require no more than 15 minutes for you to complete.

The NCAA has been consulted throughout the development of this project and has provided commentary on the survey instrument. The survey includes several highly confidential questions, requests for financial information, and requests for your personal opinion on related issues. Though the NCAA is interested in the results of the survey, I want to personally assure you that the sensitive and confidential nature of your response will be respected and protected, and the utmost of caution will be exercised in the control and use of the information. Statistical information will be included in my dissertation in summary form only, and will be classified summarily only at the NCAA Divisional levels. The information you provide will not be traceable to a specific institution or President.

Please complete and return this survey by August 1, 1991. A self-addressed, postage paid envelope is included for your convenience. Your assistance in this survey is sincerely appreciated, and the results will hopefully be of use to you in evaluating where your institution stands in relation to others in your NCAA Region and Division, as well as overall. Thank you.

Sincerely,

Thomas H. Gibson

APPENDIX C

Transmittal Letter, Second Mailing

Thomas H. Gibson
Department of Education
Montana State University
Bozeman, MT 59717-0288

President
University.....
Address.....
City, State Zip + 4

September 2, 1991

Ref: NCAA Financial Audit Legislation

Dear President

As a follow-up to my earlier request for information, I am again asking your assistance in providing data to me. The more data I am able to gather, the more meaningful the analysis results will be for the institutional Presidents. My dissertation is being written on the effectiveness of the 1985 NCAA financial audit legislation enacted to address presidential concerns about the loss of institutional financial control over athletic programs. My research requires the completion of the attached brief survey by each NCAA Division I school President. Using your institution's most recent NCAA financial audit report, the survey should require no more than 15 minutes for you to complete.

The NCAA has been consulted throughout the development of this project and has provided commentary on the survey instrument. The survey includes several highly confidential questions, requests for financial information, and requests for your personal opinion on related issues. Though the NCAA is interested in the results of the survey, I want to personally assure you that the sensitive and confidential nature of your response will be respected and protected, and the utmost of caution will be exercised in the control and use of the information. Statistical information will be included in my dissertation in summary form only, and will be classified summarily only at the NCAA Regional and Divisional levels. The information you provide will not be traceable to a specific institution or President.

Please complete and return this survey by September 24. Again, a self-addressed, postage paid envelope is included for your convenience. Your assistance in this survey is sincerely appreciated, and the results will hopefully be of use to you in evaluating where your institution stands in relation to others in your NCAA Region and Division, as well as overall. Thank you.

Sincerely,

Thomas H. Gibson

APPENDIX D
Respondent Comments

I recently assisted our President in the completion of your NCAA audit legislation survey, which was sent under your cover letter dated September 2. I am writing because I am particularly interest in your research topic and the resulting data and conclusions that may come of it. I would appreciated it if you could include me on your mailing list for receipt of any results or summary information you may prepare. I have been responsible for the preparation of the information compiled in the NCAA audit here at the University and expect to find your research most interesting. If I can provide any assistance to you, please do not hesitate to call me.

Pursuant to your request, we have completed your NCAA audit legislation survey and have enclosed same. For your information, our University has conducted annual 'outside' audits for over twenty-five years. I trust the information will be useful to you, and we will look forward to seeing the results of your study.

I did not have earlier concerns over the institutional loss of financial control in our intercollegiate athletic programs.

We already had an audit process prior to the 1985 legislation.

I was not President at the time of the 1985 convention.

While not at my current institution in 1985 when the NCAA legislation was passed, I was very concerned about the lack of financial control institutions had over their intercollegiate athletic programs.

I am writing on behalf of President [] to indicate that he is unable to complete your recent questionnaire in a meaningful manner. As a recently appointed President, he has not been involved in NCAA financial audits and has no personal opinions to share with you.

Recently you wrote to President [] requesting him to complete a questionnaire concerning the NCAA financial audit legislation. I am writing to advise you that in making the best possible use of executive time, he decided several years ago that he would be unable to respond to the many diverse and interesting questionnaires which he receives as a university President. Although I realize that this will be a disappointment to you, I felt that it would be helpful to you to know in a timely fashion that you will not be receiving a response to your survey. I do wish you every success with the completion of your study.

Pursuant to your request, please find enclosed a completed NCAA financial audit legislation form which our Internal Auditor and I have prepared on behalf of our President []. He is fairly new to our institution and is not in a position to respond to the subjective questions on the last page of your questionnaire. If you should have any questions or need additional information, please contact me.

As per your request, I am returning the questionnaire you sent relative to NCAA financial audits. You will note that the last page, to be completed by the President, has not been filled out. President [] assumed office only on June 1, 1991, and she would prefer to be more familiar with the issues at hand before filling out such a questionnaire. I hope this is helpful to you.

I am writing to you for President [] regarding your dissertation survey on NCAA financial audit legislation. President [] took office on March 16, 1992. This is her first presidency and she has not been through the audit process to date. Hence, she feels unqualified to respond to your survey. If it would not contaminate your survey, you may wish to send it to Dr. [], President Emeritus. I regret that we can not assist you in your work.

I am returning your questionnaire on NCAA financial audit legislation addressed to President []. I just assumed the Presidency in mid-May and have been here too short a time to make reasonable judgements on the last page of questions. I have completed the first part of the questionnaire if it will be of any use to you.

The University of [] Athletic Department has undergone a certified financial audit for over fifty years. When the 1985 NCAA legislation was enacted we added a supplemental report on our booster club activity which is also audited.

I am returning the NCAA audit legislation survey which you sent to Chancellor []. The Chancellor chooses not to respond.

We very much regret to decline your request that we complete your survey instrument. While we are interested in your research objectives, the President is truly inundated with survey requests from across the country and we cannot devote, to even a small fraction of them, the time which a diligent response requires. Therefore, in an attempt to be fair, we adhere to a policy of limiting our participation to studies which are conducted by our own students or sanctioned by major national organizations. Best wishes for success in your studies.

I choose not to participate.

Quite some time ago, you wrote to President [] of the University of [] requesting that he complete a copy of a questionnaire to assist you in work on your dissertation at Montana State University. I am writing both to apologize that we have taken so long to reply and to explain that Dr. [] cannot complete the questionnaire because he assumed the presidency of [] only last spring and has not yet had experience with the NCAA financial audit process. Please let me know if there is institutional information which [] can provide which would assist you in your work.

This institution hosted two conference championships and was forced to run revenues and expenditures through our regular accounts. Consequently, both were grossly exaggerated and in no way resemble the actual operating budget for the year. To report them would give the wrong impression.

We have received your request for information. We would like very much to help in the work you are doing, but we are receiving an unmanageably heavy load of such inquiries. I simply had to reach the decision that, because we need to do our own work first, this office will suspend responding to such questionnaires unless they are part of studies officially sponsored by associations to which [] University belongs. I'm sorry that I couldn't be more helpful.

Your letter of July 19 and the NCAA audit legislation survey arrived while Chancellor [] was away from the office on vacation. His return coincides with the opening of our fall semester and is after the survey deadline of August 16. As a result, the Chancellor will be unable to participate in your study. Best wishes in your dissertation research.

I have attached the portion of the survey which we were able to complete. The President is new to [] and was unable to complete since he just came on board.

[] succeeded [] as President on July 22, 1991. He asked me to return your survey without completing it as he has had insufficient time to become completely familiar with the issues.

All reports to date have stated: We found no material weaknesses relating to the specific systems of internal accounting control.

There is never anything to comment on in our audit report.

I was not President at that time.

This question assumes weaknesses.

Loss of institutional financial control over the intercollegiate athletic program never was a serious concern at this institution.

Please note that I am an interim appointee serving only since July 1, 1991.

I had no earlier concerns over the institutional loss of financial control in our intercollegiate athletics programs.

This institution has relied more on internal reports and controls more than a single audit report. Nothing substitutes for continuing good financial management.

The audit report is useful only to satisfy the NCAA regulations. I don't need it to understand financial control weaknesses in our intercollegiate athletic programs. The regular audit report is the major piece.

The audit report is provided to me in the spring of the following year.

I am writing in reply to your letter of July 19 requesting President [] participation in your dissertation study. Due to the enormous number of such requests, it is the University's policy to participate in such matters only when they are official studies by agencies or educational institutions. President [], therefore, will not be able to comply with your requests.

Your letter of July 19 with enclosed survey form has been forwarded to me for a reply. [] does not have a distinct audit of its athletic program. That area is subject to audit by the Board of Regents and state auditors during their regular audits of the University. Inasmuch as the majority of your survey speaks specifically to an NCAA financial audit, I will choose at this time not to improvise with information gleaned from the other referenced audits. Should that position be a dysfunctional one in terms of your data collection, please let me know and I will see what can be done. If it should be possible to ask a favor without providing the material you requested, I would be delighted to receive a copy of your survey results. Admittedly, athletics is fairly new to my organization, and I could use any information that would assist me in learning more about it.

I choose not to participate in your survey. Thank you.

I have received your letter requesting information on the NCAA financial audit legislation. We receive so many requests

and we are short of manpower during the summer months so that we cannot complete or participate in all questionnaires or requests of this type at this time. I am sorry that we are unable to accommodate you. May I wish you the best of luck as you pursue your doctorate.

We just joined Division I.

Due to variances in the way athletic programs are administered, it's difficult to prepare one instrument to survey all. If responses are not understood, please call. Best wishes.

Thank you for your letter asking me to participate in your survey on NCAA audit legislation. I was pleased to be asked. However, because of the many demands upon my time, I have made the decision not to complete most surveys that I receive, however worthy the cause. I simply do not have the time to invest the care and thoughtfulness in these questions that you and I would both want. I trust that you understand my situation. With best wishes.

I am responding to your survey on behalf of our President []. We have completed this as accurately as possible. [We] have always kept athletics in its proper perspective so the audit was not a method by which this institution could exert financial control over athletics programs. As a graduate of Montana State, I hope this has been helpful. We would appreciate a copy of your results. Good luck on your doctoral program. Thank you, and have a great year.

We had been doing audits previous to the 1985 legislation.

The amount of paperwork required by the NCAA is reaching monumental and crisis proportions. It is getting to the point that this bureaucratic monster will dictate every move. Universities have enough financial control and audit experience to ensure control without being told how to do it.

No financial control weaknesses have been cited in our audit reports.

Thank you for your letter of July 19 asking us to fill out a questionnaire on NCAA financial audit legislation and return it to you. We would be happy to complete the questionnaire, but noted in your letter that it was for NCAA Division I. [We] at this time, are Division III, therefore we are unable to help you with this questionnaire. Good luck in working on your dissertation.

Your letter dated July 19 was received by my office on August 21. [We] have just completed our first year as a Division I institution. Accordingly, we have not yet undergone an NCAA financial audit report and should not be included in your research database. Good luck with your study.

I am in receipt of your survey instrument and regret that we are not in a position to respond to your inquiry. [We] have just obtained NCAA status and therefore have not previously conducted NCAA financial audits. Such reports were not required under our previous NAIA affiliation. Obviously, in the years to come we will be indeed conducting these audits and if we can be of assistance to you in your future research, please let us know.

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