

**ASSIGNMENT OF RESPONSES TO THE RECOMMENDATIONS  
OF THE SPECIAL PANEL  
ON THE UNIVERSITY OF MONTANA ATHLETIC DEFICIT  
AND  
THE UNIVERSITY OF MONTANA RESPONSES,  
INCLUDING JOINT RESPONSES  
WITH THE COMMISSIONER AND THE REGENTS,  
ACCOMPANIED BY UNIVERSITY COMMENTS  
PERTAINING TO SOME PANEL FINDINGS**

**INTRODUCTION**

The “Executive Summary” of the Special Panel’s Report identified 42 findings and 26 recommendations. The Board of Regents of the Montana University System unanimously accepted the Report during the May 2004 Meeting, and, by a 5-2 vote, adopted The University of Montana’s Deficit Reduction Plan – with certain stipulations -- that has components designed to eliminate the existing deficit and prevent future deficits (“Background,” Pages 39-42). As stipulations to the University’s Deficit Reduction Plan:

1. President George M. Dennison will accept and commit to implement the recommendations made by the Panel in its Report and will present in writing the steps and time line to fulfill that commitment during the July Meeting of the Regents.
2. In his response to the Regents, the President will indicate the monitoring process that will begin with weekly, then monthly and quarterly as warranted by experience, and yearly reports. The monitoring group will include a representative of the Associated Students of The University of Montana. In addition, the President will present an annual progress report to the Regents during the March Meetings.
3. The proposed increases in the Athletic Fee of \$2.00 per semester, \$4.00 per year, will begin in FY 2005 and continue through FY 2008, for a total increase of \$8.00 per semester, \$16.00 per year, except that the Regents authorized the allocation of \$40,000 from the Regents’ Reserve to replace the Fee increase for FY 2005 so that full-time students will begin paying the increase in FY 2006 at the rate of \$4.00 per semester, \$8.00 per year.
4. The Fee increases will take effect as authorized if the approved Deficit Reduction Plan remains on track. If the Plan does not remain on track, the Fee increases will not take effect without further action by the Regents.
5. The President agrees to review the revenue situation annually and to consider reductions to the Fee increases if the situation improves beyond expectations.

This University response statement indicates the assignment of each of the recommendations to 1) the University, 2) the Commissioner of Higher Education and the Regents, or 3) both the University and the Commissioner and the Regents. The President and the Commissioner reviewed and assigned each recommendation on the basis of the Panel’s findings and stated intentions. This University response statement covers those recommendations assigned specifically to the University and to the University and the Commissioner and the Regents. The

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latter responses reflect the consensus achieved by the President and the Commissioner. The Commissioner's response will cover all other recommendations. Finally, the University has commented on some of the Panel findings to provide context.

### **ASSIGNMENT OF RECOMMENDATIONS\***

\*All references to recommendations relate to the statements in the section entitled "Findings and Recommendations," with the page numbers specified, but, for ease of reference, using the summary statements of the recommendations appearing on pages 2-4 of the "Executive Summary." Note that the "Findings and Recommendations" section of the Report did not contain Recommendations numbered 1, 4, 10-11, 17-18, 23, 29, 31, 34-36, 39, or 40-42.

#### **To the University:**

##### Recommendation Number 2, Page 2:

The University of Montana President should re-assess the risk inherent in the fiscal operations of the athletic department. Therefore, he should communicate clearly his expectations of enhanced involvement and scrutiny over the financial activity of UM Athletics. ("Executive Summary," Page 2.)

##### Recommendations Number 3 and 3.1, Page 4:

The level of risk in athletics necessitates a closer review of special purpose audit reports and action plans. ("Executive Summary," Page 2.)

##### Recommendation Number 6, Page 9:

The President should provide written guidelines as to what is acceptable for campus personnel to seek reimbursement or pay out of UM Foundation accounts. ("Executive Summary," Page 2.)

##### Recommendation Number 7, Page 11:

The UM Administration should monitor and control both the revenue and expenditure portions of the athletics operating budget throughout the fiscal year. The President should provide a realistic funding package for athletics that includes adequate institutional support. ("Executive Summary," Page 2.)

##### Recommendation Number 9, Page 15:

The UM should establish and monitor a receivable from GSA for the amount of pledged scholarships donations for the fiscal year. GSA should establish a corresponding payable. These two entities should communicate with each other to make certain they are in agreement on the amount outstanding. ("Executive Summary," Page 3.)

##### Recommendations Number 13 and 3.1, Pages 4 and 21:

The special purpose audit (NCAA) of athletics should be completed by December of each year and submitted to the Office of the Commissioner of Higher Education. ("Executive Summary," Page 3. See also Recommendations Number 3 and 3.1, above, "Executive Summary," Page 2.)

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Recommendation Number 14, Page 22:

The new athletics fiscal officer should develop a standard reporting format for athletics and develop automated systems that monitor revenue and expenses from all sources, including GSA and Foundation funds. (“Executive Summary,” Page 3.)

Recommendation Number 15, Page 23:

All game guarantees should be contractually documented and recorded on the University’s accounting records. (“Executive Summary,” Page 3.)

Recommendation Number 19, Page 28:

The new athletics fiscal officer should report to the athletic director as soon as is practicable. The Office of Administration and Finance should increase the level of monitoring and oversight of athletics finances. (“Executive Summary,” Page 3.)

Recommendation Number 20, Page 29:

Once the Board of Regents has approved a deficit reduction plan for UM, the University should review actual variances from the plan at least semi-annually. (“Executive Summary,” Page 3.)

Recommendation Number 22, Part 1, Page 35:

The UM should ensure that Athletic Department employees comply with policies and procedures regarding ProCard use and ensure that only appropriate travel and university related expense are charged to the ProCard. (“Executive Summary,” Page 3.)

Recommendation Number 22, Part 2, Page 35:

The University should reevaluate the number of ProCards issued in the Athletic Department. (“Executive Summary,” Page 3.)

Recommendation Number 24, Page 40:

The athletics fiscal officer should develop an operating budget plan in sufficient detail to evaluate the reasonableness of its assumptions. Input from coaches and other athletics department staff should be solicited and used in developing the budget. The budget should include all funding sources. (“Executive Summary,” Page 3.)

Recommendation Number 25, Page 42:

The athletics fiscal officer should provide timely and meaningful budget status reports to athletic department management and head coaches on a regular basis. The budget status report should incorporate all funding sources. (“Executive Summary,” Page 3.)

Recommendation Number 26, Page 44:

The athletics fiscal officer should not be responsible for advance travel for games. (“Executive Summary,” Page 3.)

Recommendation Number 27, Page 46:

The athletic director should ensure that the operating budget is prepared in sufficient detail, with input from coaches and staff, and that it includes all funding sources. The athletic director needs to be attentive to budget variances, provide appropriate oversight over the athletics fiscal officer, and communicate frequently with the President and the Office of Administration and Finance. (“Executive Summary,” Page 3.)

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Recommendation Number 28, Page 48:

Even though budget responsibilities are decentralized, given the history of athletics deficits, the Office of Planning, Budgeting, and Analysis (OPBA) should provide more thorough analysis of athletics budgets. The President and VP must develop comprehensive analysis tools that allow for better monitoring of the athletics fiscal operations for Administration and Finance. (“Executive Summary,” Page 4.)

Recommendation Number 30, Page 52:

The President should have required the athletics director to be more accountable for presenting an operating plan in sufficient detail for OPBA to analyze and should have investigated when the athletic director and fiscal manager did not respond to OPBA’s requests for information regarding the athletics budget. The President should have required the athletic director to not only raise revenues, but to control costs. (“Executive Summary,” Page 4.)

Recommendation Number 37, Page 64:

Head coaches should be more involved in the budget development process and should receive monthly standardized budget assessment reports. (“Executive Summary,” Page 4.)

Recommendation Number 38, Page 66:

The University should continue the annual monitoring of the Virtu consulting contract, ensure that the contractor corrects the identified contract exceptions, and negotiate with the contractor to receive quarterly payments under the contract. (No statement in “Executive Summary.”)

Unnumbered and Unstated Recommendation, Page 10, and Requested by the Board of Regents During the May Meeting:

The University should account for the increase in expenditures between FY 2001 and FY 2002 of roughly \$1.9 million. (No statement in “Executive Summary.”)

**To the Commissioner of Higher Education and the Board of Regents:**

Recommendation Number 12, Page 19:

The Panel recommends that the Board of Regents ask the Legislative Auditor to review the structure, functions, and staffing of the internal audit departments. The Board of Regents may want to consider establishing an audit oversight committee. (“Executive Summary,” Page 3.)

Recommendation Number 21, Page 30:

The panel suggests that follow-up review by the panel may be appropriate after a year. (No statement in “Executive Summary.”)

Recommendation Number 32, Page 55:

The Board of Regents should engage in public discussions and feedback on the athletics reports in November each year. The policy on negative fund balance should be re-evaluated to determine if the current policy provides disincentive to acknowledge deficits and problem areas. (“Executive Summary,” Page 4.)

**To the University and the Commissioner and the Regents:**

Recommendation Number 5, Page 7;

The Board of Regents should review the relationship of the GSA and UM. (“Executive Summary,” Page 2.)

Recommendation Number 8, Page 13:

The Regents should review the revenues and expenses related to concessions, royalties, and collegiate licensing at UM to determine if adequate profits are being realized and subsequently allocated to the athletics budgets. (“Executive Summary,” Page 4.)

Recommendations Numbers 16 and 33, Pages 24 and 57:

The Board of Regents and UM should analyze the costs incurred versus the value received for trade-outs, comp tickets, and courtesy cars. Although the amounts seemed excessive to Panel members, we are not experts and do not have a reasonable basis for comparison. (“Executive Summary,” Page 3.)

Recommendation Number 23, Part 3, Page 35:

We recommend that the Regents require a thorough audit of UM Athletic Department ProCard charges for FY02 through FY04. (“Executive Summary,” Page 3.)

**UNIVERSITY RESPONSES TO RECOMMENDATIONS\***

\*The Recommendations are restated but retain the original intent. Attachment A indicates the assigned responsibility and time line for implementation of each Recommendation.

**Recommendation Number 2, Page 2:**

The President must reassess the risks inherent in Athletics and communicate clearly the expectations for greater and more widespread involvement in and scrutiny of Athletics fiscal affairs.

**University Response:** Intercollegiate Athletics at The University of Montana involves considerable risk because of the need to generate as much self-support as possible and the necessary reliance on diverse revenue streams. The President has reassessed the risks in light of experience during the last few years, and has taken steps to diversify the revenue streams in support of Athletics. The effort to raise funds from the private sector to support operations failed to generate the amounts required, although private support for facilities increased dramatically. However, the success of the revenue sports – football, men’s basketball, and women’s basketball – contributes significantly toward the operational support of Grizzly Athletics. To assure continued success and support, the Deficit Reduction Plan includes a component focused upon deficit elimination as well as deficit prevention in the future (see Attachment B). While continuing to rely on private funds to support grants-in-aid and ticket sales from supporting fans for a considerable portion of operational support, the deficit prevention component of the plan does not rely on private funds for operations. Instead, the University will direct modest increments of institutional support (General Funds), concessions revenue, collegiate licensing royalties, automobile license plate revenue, and student fees revenue to Athletics. The license plate revenue will support grants-in-aid (or scholarships), thus freeing up some General Funds for operations. In addition, the University has increased the prices of season tickets for football and women’s basketball. As an indication of the reasonableness of the increases, season ticket sales for football remain ahead of last year, with waiting lists for additional

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tickets. Finally, the Grizzly Scholarship Association (GSA) has agreed to index its annual fund raising to tuition increases so as to assure financial stability.

To assure clear communication of fiscal responsibility and accountability in Athletics, the President has initiated several new mandates:

1. The Director of Athletics (AD) will provide an annual statement of goals and objectives to the President for approval and for reference in the annual evaluation process, and will meet on a weekly basis with the President to review the progress of the Deficit Reduction Plan, the implementation of the annual operating budget (see Attachment C), and general program progress.
2. During FY 2005, the AD will consult broadly within Athletics, and with appropriate advisory groups (including the University Athletics Committee, Student Athlete Advisory Committee, Grizzly Scholarship Association, and National Advisory Board for Grizzly Athletics), to develop a strategic plan for Grizzly Athletics, with a five-year rolling horizon and clear indications of revenue requirements and sources for review and approval by the President. In the following years, the AD will review the approved plan for possible revisions.
3. Henceforth the AD will serve as a permanent member of the campus Strategic and Budget Planning Committee, the University's principal budget advisory committee.
4. The Assistant Athletic Director for Business Operations (AADBO) will report until further notice directly to the Vice President for Administration and Finance (VPAF), but always keeping the AD fully informed.
5. The AD has formed a Budget Committee within Intercollegiate Athletics consisting of coaches, administrators, staff, and student athletes, and will involve the Committee in all budget development and budget monitoring processes.

### **Recommendations Numbers 3, 3.1, and 13, Pages 4 and 21:**

The risks inherent in Athletics require close review of special purpose audit reports and careful monitoring of resultant action plans, with audits and action plans submitted to the Commissioner by December of each year.

**University Response:** The University will require the completion of the two special purpose audits – the annual NCAA and GSA audits – by December of each year, with the audit reports and responses to any recommendations submitted to the Commissioner of Higher Education. In addition, contract language will be added to require coordination of the two audits, and the University will integrate the results of these two audit reports and accompanying recommendations into the overall institutional oversight and financial management of Intercollegiate Athletics. The NCAA audit provides an all-funds perspective and analysis of the total budget of Intercollegiate Athletics, while the GSA audit indicates current and future revenue pledges to support athletics grants-in-aid. See the response to Recommendation Number 9 below concerning mandatory recording of payables (on the GSA books) and receivables (on the University books for Intercollegiate Athletics) to track the pledges of support for grants-in-aid.

### **Recommendation Number 6, Page 9:**

The President should provide written guidelines for reimbursements and payments from accounts managed by The University of Montana Foundation.

**University Response:** The President has prepared and circulated written guidelines and procedures for reimbursements and direct payments from accounts managed by The University of Montana Foundation (see Attachment D). All current University

administrators with responsibility for the programs supported by these accounts have received copies of the guidelines and procedures, and Human Resources will include them in the orientation for new administrators.

**Recommendation Number 7, Page 11:**

The President must provide a realistic annual funding package for Athletics, inclusive of adequate institutional support, and establish procedures to monitor and control revenues and expenditures in Athletics for the fiscal year.

**University Response:** The President has approved, with the endorsement of the Regents during the meeting in May 2004, the FY 2005 operating budget for Intercollegiate Athletics (see Attachment C), based on the approved Deficit Reduction Plan (see Attachment B) that includes diversified revenue streams. The approved operating budget does not rely on private funds to support operations in Athletics.

To assure compliance with the approved operating budget, the University will monitor revenues and control expenditures, and will report all material variances upon their occurrence to the Commissioner and the Regents prior to initiating actions in response. The process for monitoring and controlling the Athletics operating budget includes the following components:

1. The Deficit Reduction Plan consisting of two components, one to eliminate the existing deficit and the other to prevent future deficits (see Attachment B), was approved by the President and the Regents in the May 2004 Meeting. This plan includes the establishment of a central reserve for Athletics.
2. A zero-based operating budget for Athletics for FY 2005 – based on the approved Deficit Reduction Plan and including revenues and expenditures – was prepared and subsequently approved by the President and the Regents (see Attachment C).
3. The AADBO will have been fully trained by the end of July 2004 in the development and implementation of operating plans and budgets at the University (in this instance, including all funds), procurement, travel, all-funds budget monitoring and reporting, and financial controls.
4. The VPAF and the Executive Director of the Office of Planning, Budgeting, and Analysis (OPBA) will assist the AADBO in the implementation of the approved operating budget for FY 2005, including the preparation of a detailed operating plan.
5. The VPAF and Executive Director of OPBA will meet weekly – and then monthly and quarterly if warranted by experience – with the AD, Associate Athletic Director (AAD), AADBO, and the President of the Associated Students of The University of Montana (ASUM) to monitor the implementation and execution of the approved Athletics operating budget – revenues and expenditures – and the Deficit Reduction Plan, communicating the results of the review to the Strategic and Budget Planning Committee, coaches and administrators within Intercollegiate Athletics, and the President, who will report the results to the Commissioner and the Regents.
6. Beginning with FY06, Athletics will comply with the University process for planning, budgeting, and assessment. With the assistance of the AAD and AADBO and the involvement of the Athletics Budget Committee, the AD will prepare, submit, and present an annual operating plan in early Spring with sufficient operational detail to facilitate thorough analysis, and including all funds projected for receipt or expenditure in Athletics. The plan must also comport with the Deficit Reduction plan in all respects. Based on the President's approval of the operating

plan, the AADBO will submit an operating budget by May of each year. The monitoring process will continue as described in number 5 above.

**Recommendation Number 9, Page 15:**

The University must establish a receivable for Athletics at the beginning of each year, equal to the amount pledged by the GSA to support grants-in-aid for that year, and insure that the GSA establishes a matching payable; and also establish procedures for periodic (at least monthly) review of amounts outstanding.

**University Response:** Business Services at the University will enter for Athletics a receivable on the University books at the beginning of each year in the amount agreed upon with the GSA for the support of grants-in-aid, and the GSA will enter a payable on its books for the same amount. Business Services will record all payments received, will request quarterly statements from the GSA, and will report the reconciliations to the AD, AADBO and VPAF. The VPAF will report all real or potential variances from pledged amounts to the President for inclusion in the regular reports to the Commissioner and the Regents.

**Recommendation Numbers 3, 3.1, and 13, Pages 4 and 21:**

The University must require the completion and submission to the Commissioner of the special purpose audit of Intercollegiate Athletics for the NCAA and the audit of the GSA by December annually, and integrate the results and recommendations of the audit reports into the institutional oversight and financial planning for Intercollegiate Athletics.

**University Response:** See the Responses to Recommendations Number 3, 3.1, and 13 above.

**Recommendation Number 14, Page 22:**

The AADBO must develop and implement 1) a standard reporting format for Athletics including all funds, and 2) standardized and automated systems to monitor revenues and expenses for all funding sources.

**University Response:** Under the direct supervision of the VPAF, and working collaboratively with the AD and the Executive Director of OPBA, the AADBO will adapt the standard Athletics reporting formats developed at another institution for use at The University of Montana. The reports will include all funds and utilize the BANNER Financial System to track and monitor revenues and expenditures against the approved operating budget.

The AADBO will discuss these reports on a regular basis with the AD, AAD, and the coaches and staff within Athletics. The reports will also provide the basis for the budget status meetings described in the University response to Recommendation Number 7 and the reports to the President, Commissioner, and Regents. These reports will note all variances from the approved operating budget and/or the Deficit Reduction Plan for Athletics.

**Recommendation Number 15, Page 23:**

The University must negotiate documented contracts and make appropriate accounting entries for all game guarantees.

**University Response:** Business Services at the University will require a contract co-signed for the University by the VPAF and the AD, and counter-signed by an authorized representative of the other institution, for every game guarantee; and will make an



appropriate payable or receivable entry on the University books, indicating the year designated for payment or receipt.

**Recommendation Number 19, Page 28:**

The University must develop procedures as soon as possible for ongoing monitoring and control of fiscal operations in Athletics and then restore normal reporting relationships within Athletics.

**University Response:** During FY 2005, the University will develop and implement procedures for the ongoing monitoring and control of fiscal operations within Athletics, with the AADBO reporting directly to the VPAF for that year at a minimum. Prior to the close of FY 2005, the President will review progress and recommend either continuation of or a change in the reporting relationship of the AADBO to the Regents. In any event, the regular meetings – weekly, and then monthly or quarterly as warranted on the basis of experience – will continue into FY 2006, with the involvement of the VPAF, Executive Director of OPBA, AADBO, AD, AAD, and the President of ASUM, to monitor the approved operating budget for Athletics and the Deficit Reduction Plan.

**Recommendation Number 20, Page 29:**

After the Regents approve a deficit reduction plan, the University must review actual variances from the plan at least semi-annually.

**University Response:** The Regents approved the Deficit Reduction Plan – with deficit elimination and deficit prevention components (see Attachment B) -- recommended by the President in May, and the University has implemented the monitoring process and procedures outlined in the responses to Recommendations Number 2, 7, 14, and 19 above to assure fiscal control within Athletics.

**Recommendation Number 22, Part 1, Page 35:**

The University must insure that employees in Athletics comply with policies and procedures for the use of ProCards.

**University Response:** The University will review for possible revision the policies regulating the allowable uses of ProCards, and establish procedures to insure enforcement of the policies.

**Recommendation Number 22, Part 2, Page 35:**

The University must establish the number of ProCards required for effective, reliable, and efficient business operations in Athletics.

**University Response:** The University will analyze the business justifications for all active ProCards issued to employees in Athletics, rescinding all ProCards deemed non-essential and verifying allowable uses and dollar limits by active ProCard.

**Recommendation Number 24, Page 40:**

After consultation with coaches and staff, and in collaboration with the AD, the AADBO must develop an annual operating budget based on all sources of funds and in sufficient detail to allow evaluation of its assumptions and monitoring of its implementation.

**University Response:** The University will augment the process and procedures for the development of operating budget plans to insure the inclusion of requisite details, and will require the inclusion of all funds within the operating budget for Athletics. The VPAF and Executive Director of OPBA, in cooperation with the AD and AADBO, will

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implement these changes and report them in detail to the President. As mentioned, the AD has established a Budget Committee within Athletics. The AADBO will consult all coaches and other staff in the development of the annual operating budget prior to submitting it for review and endorsement by the Athletics Budget Committee. The periodic reviews outlined in the responses to Recommendations Number 2, 7, 14, 19, and 20 above will insure monitoring and reporting of all variances from the approved operating plan and the Deficit Reduction Plan to the President and subsequently to the Commissioner and the Regents.

### **Recommendation Number 25, Page 42:**

The AADBO must provide timely, meaningful, and regular budget status reports, incorporating all funds, to administrators and coaches in Athletics.

**University Response:** See the responses to Recommendations Number 2, 7, 14, 19, 20, and 24 above.

### **Recommendation Number 26, Page 44:**

The AADBO must not have responsibility for travel advance for away games.

**University Response:** As the position description indicates (see Attachment E), the AADBO will focus exclusively on fiscal affairs within Athletics and will not perform extraneous duties. The temporary reporting relationship to the VPAF and the Presidential mandate to the AD will insure this result.

### **Recommendation Number 27, Page 46:**

The AD must ultimately have the responsibility to provide oversight to the AADBO, to insure a realistic operating budget for Athletics (based upon consultation with coaches and staff within Athletics and prepared in sufficient detail to allow effective monitoring), and to report all variances from the approved operating budget and the Deficit Reduction Plan to the Executive Director of OPBA, the VPAF, and the President.

**University Response:** As indicated in the response to Recommendation Number 19 above, the University will develop the monitoring and control procedures to restore the regular reporting relationships within Athletics as soon as practicable. The responses to Recommendations Number 2, 7, 14, 19, 20, and 24 above outline the processes and procedures designed to achieve that objective.

### **Recommendation Number 28, Page 48:**

In view of the decentralized budget responsibilities in the University and the history of fiscal problems within Athletics, the VPAF and Executive Director of OPBA must provide comprehensive and thorough analysis of the annual Athletics operating budget proposal, taking account of all funds.

**University Response:** For the detailed process and procedures, see the responses to Recommendations 2, 7, 14, 19, 20, 24, 25, and 27 above.

### **Recommendation Number 30, Page 52:**

The President must require the AD to present a proposed annual operating budget in sufficient detail for OPBA analysis as to its reasonableness, to control expenditures as well as raise funds, and to respond to all OPBA requests for information.

**University Response:** The President will hold Athletics management – including the AD, the AAD, and the AADBO – accountable for successful execution of the plan and

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budgets, and for timely and thorough compliance with the requirements outlined in this report. For the detailed process, see responses to Recommendations 2, 7, 14, 19, 20, 24, 25, 27, and 28 above.

**Recommendation Number 37, Page 64:**

The AD and AADPO must involve the coaches in the budget development process and provide them with timely and standardized budget status reports.

**University Response:** See the responses to Recommendations 2, 7, 14, 19, 20, 24, 25, 27, 28, and 30 above.

**Recommendation Number 38, Page 66:**

The University must continue to monitor the Virtu Consulting contract to insure that the contractor 1) corrects identified contract exceptions, and 2) accepts a provision for quarterly payment of revenues under the contract.

**University Response:** The University will monitor the contract annually and conduct regular meetings with Virtu Consulting to discuss the status of the sponsorship program. Since the Panel reported, Virtu Consulting has corrected the three contract exceptions and the negotiations continue to establish quarterly payments of revenue accrued under the contract.

**Unnumbered and Unstated Recommendation, Page 10, and requested by the Board of Regents in May 2004:**

The University must account for the increase in expenditures of roughly \$1.9 million between FY 2001 and FY 2002.

**University Response:** Most of the increase occurred because of 1) termination payments for departing coaches; 2) some salary adjustments for new coaches, some position upgrades and new hires, and regular salary increases for existing staff - plus the cost of benefits for these adjustments; 3) travel (especially for football because of an additional away game and the Championship Game); 4) one-time-only bonuses for the football coaches for the National Championship; 5) game guarantees; 6) game day expenses; and 7) grants-in-aid because of tuition increases and the mix of resident and non-resident student athletes. The increases in support from Foundation accounts resulted from contributions to the Washington Grizzly Stadium turf replacement, Hall of Champions, and Dornblazer Track improvements. See Attachment F for a detailed accounting.

**UNIVERSITY AND COMMISSIONER JOINT RESPONSES TO RECOMMENDATIONS\***

\*The Recommendations are restated but retain the original intent. See Attachment A for the assigned responsibility and time line for each Recommendation.

**Recommendation Number 5, Page 7:**

The Regents and the University need to review the relationship between the GSA and the University.

**University and Commissioner Joint Response:** The University has reviewed the relationship and assumed the salary responsibility for all GSA employees, except the part-time and contracted accountant (see Attachments C and G). In accordance with its charter, the GSA raises funds to support an annually stipulated number of grants-in-aid for student athletes. To assure stability in its annual number of grants-in-aid, the GSA

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has agreed to index its annual fund raising to the approved tuition increases. The GSA has also agreed to establish an annual payable on its books for the funds required to support the stipulated number of grants-in-aid, and to provide transaction reports at least quarterly to Business Services at the University. In accordance with NCAA rules, all GSA expenditures in support of Intercollegiate Athletics at The University of Montana must have the written approval of the AD. The University will prepare a detailed report describing the UM/GSA relationship, and provide this to the Regents for its review prior to the November meeting of the Board.

**Recommendation Number 8, Page 13:**

The Regents and the University will review the revenues and expenses related to concessions, royalties, and the sale of collegiate license plates to evaluate adequacy of revenues and allocations to Athletics.

**University and Commissioner Joint Response:** The approved zero-based Athletics operating budget for FY 2005 (see Attachment C), and the approved Deficit Reduction Plan (with deficit elimination and deficit prevention components and covering the years from FY 2005 to FY 2008) (see Attachment B), include permanent reallocations of revenues from concessions, royalties, and license plate sales to assure long-term stability in the support for Athletics. The University will provide the Regents an analysis of these revenues and allocations at the November 2004 meeting.

**Recommendations Number 16 and 33, Pages 24 and 57:**

The Regents and the University must analyze the benefit-cost ratio of the existing trade-outs, comp tickets, and courtesy cars for Athletics.

**University and Commissioner Joint Response:** The VPAF, AD, AAD, and AADBO -- in consultation with the University Athletics Committee, Athletics Budget Committee, GSA, and National Advisory Board for Grizzly Athletics -- will conduct an analysis of the benefit-cost ratio of existing trade-outs, comp tickets, and courtesy cars and report the results and any recommendations for changes to the President, who will report the results and his conclusions to the Commissioner and the Regents during the March 2005 meeting of the Regents.

**Recommendation Number 23, Part 3, Page 35:**

The Regents and the University must conduct an audit of ProCard charges (and reimbursements) by Athletics employees for the years from FY 2002 through FY 2004.

**University and Commissioner Joint Response:** The University endorsed the decision of the Commissioner to designate a three-person team with the appropriate expertise, including an independent contractor as one of the members, to conduct the required audit, with the expectation of completion by 1 September, 2004.

**COMMENTS ABOUT SOME PANEL FINDINGS:**

**Finding Number 1, "Findings and Recommendations," Page 1**

Some have expressed the view that departments on campus have insufficient staff resources to handle the relatively new responsibilities involved in implementing the BANNER Finance Module that decentralizes many of the functions. The University remains attentive to this issue, but generally has found existing staff sufficient when properly trained and supervised.

**Finding Number 2, “Findings and Recommendations,” Page 2:**

The concern that the direct reporting relationship of Athletics to the President may result in a perception of favoritism appears much reduced by the recent problems and well-publicized developments within Athletics. Nonetheless, the effort to implement the 2000 deficit reduction plan may have contributed to such a perception. In any event, the President believes the prescribed monitoring and reporting process outlined in the responses above will suffice to dispel any perception of favoritism for Athletics. In fact, Athletics received 3.5 percent of the University budget in FY 1990 and will receive 3.5 percent of the University budget in FY 2005.

**Finding Number 5, “Findings and Recommendations,” Page 6:**

The GSA By-Laws indicate that the University intended to assume responsibility for the salaries of the GSA staff in 1991. This assumption did not occur, and the GSA continued to provide the funds to pay the staff who nonetheless remain University employees. The University will assume the responsibility for the salaries within the provisions of the approved Athletics operating budget for FY 2005 (see Attachments C and G).

**Finding Number 6, “Findings and Recommendations,” Page 8:**

Most expenditures from funds maintained by The University of Montana Foundation appear on relevant University accounts, since the Foundation transfers the funds to the University for expenditure. However, the President’s response to the issue during the discussion in the May Meeting reflected a misunderstanding and therefore contained a misstatement. In fact, the Foundation maintains some accounts for designated purposes and these accounts contain the funds raised to support named programs. The administrators responsible for the named programs have the signature authority, subject to approval by the supervisor and review by the Foundation staff for availability of funds and conformity with the intentions of the donors. Examples of these funds include the Excellence Fund for the University, Roundball Club, Quarterback Club, Lady Griz Hoops Club, Other Sports Fund Raising, Athletics Administration, Grizzly Athletics Association, and the like (see “Background,” Page 48). In these instances, the Foundation requires signed authorizations and receipts for all such expenditures, and the authorizations and receipts become part of the University’s public records (always excluding confidential personal information), thereby subject to regular audit. To assure compliance with the intent and purposes of these accounts, the President has issued written guidelines and procedures for all such expenditures (see Attachment D).

**Finding Number 7, “Findings and Recommendations,” Pages 10-11:**

This finding and others refer to a “structural deficit” in the Athletics budget. The University did not use that term until earlier this year when the former AD introduced it to refer to the persisting difference between revenues and expenditures. In prior years, the President requested that the AD achieve revenue increases and spending constraints to assure the required balance between revenues and expenditures. However, the effort to raise funds for operations failed over time, and attention turned to new revenue streams. Unfortunately, the development of alternative revenue streams did not occur soon enough to prevent the deficit problem. The deficit prevention component of the approved Deficit Reduction Plan (see Attachment B) addresses that challenge to prevent a recurrence. Nonetheless, the prior budget plans included both projected revenue increases and spending constraints, however imperfectly implemented.

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The Panel found that “It appears . . . that the expenditure side of the athletic budget was not monitored or analyzed by anyone at the University, including the athletic director,” and that “Budget oversight . . . seemed to be more reactive than proactive.” However, the findings apparently relate essentially to appearances or perceptions, since the Panel also found the planning and assessment processes coordinated by OPBA of “high quality.” As these comments indicate, processes for analysis and oversight existed, but the implementation of those processes proved lacking. The new procedures outlined in the responses to the Recommendations will assure full implementation of the processes, with regular reports on the results.

**Finding Number 8, “Findings and Recommendations,” Page 12:**

This finding discusses “collegiate license revenues” and “collegiate licensing royalties,” at times appearing to equate the two. Collegiate licensing royalties result from the sale of merchandise using the Grizzly logo. The University itself does not directly produce or sell merchandise, but rather receives royalties as a standard percentage of gross sales from licensed producers or vendors for use of University logos and trademarks. Estimates of gross sales volume provide only one part of the equation in projecting royalty revenue to the University, a fluctuating amount depending on national championships and new product lines but averaging roughly \$150,000 annually. Royalty revenue in the past has gone to support marketing efforts for the University in general and special University projects.

License plate revenue derived from the sale of the two different plates associated with The University of Montana – the Clock Tower and the Grizzly Bear – has supported the University’s general scholarship program in the past. State statute authorizing the sale of license plates restricts the use of the generated revenue to the support of scholarships.

**Finding Number 11, “Findings and Recommendations,” Page 18:**

During the years after 2000, Assistant Athletic Director C. Maes had no direct role in developing or monitoring the budget for Athletics. Nor did he have responsibility for controlling costs. His impressions of what occurred remain impressions. The implication of no effort to control costs remains an implication. That he could not reconstruct the budgets means either that those who developed them did not rely on reasonable assumptions, or that they failed to document those assumptions.

**Finding Number 22, “Findings and Recommendations,” Pages 31-34:**

Quite clearly, Athletics did not enforce the policy concerning the use of ProCards. However, the Coach who misused the ProCard reimbursed the University for personal charges and surrendered the ProCard at the request of the University. The failure to educate this Coach about the proper use of the ProCard occurred because of the direct instructions of the former Athletics fiscal officer (“Findings and Recommendations,” Page 59).

**Finding Number 24, “Findings and Recommendations,” Pages 39-40:**

Their ultimately proven lack of realism notwithstanding, the former AD and Athletics fiscal officer attested orally and in writing on multiple occasions and in several venues to the validity of the planning assumptions for the designated and auxiliary funds included in the Athletics operating budgets for FY 2003 and FY 2004 (see Finding Number 29, Page 48). In addition, the former AD confirmed on numerous occasions that he had commitments of private funds to assist operations, although the funds failed to materialize.

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Current unrestricted fund – General Funds – budgets also received direct and detailed review on the basis of the assumptions provided by the former AD and fiscal officer. However, the budget plans did not include all funds, and lacked detail to allow for close analysis of reasonableness. The plans outlined in response to the Recommendations address those defects and problems.

**CONCLUSION**

The University will fully implement the responses to all the recommendations.

Attachments