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California State Athletic Commission
Operational Audit
November 2003

Our audit examined the commission's strategic planning process and its core business operations, with the focus relating to professional boxing.

The Department of Consumer Affairs' (department) Internal Audit Office completed an operational audit of the California State Athletic Commission (commission). Our audit examined the commission's strategic planning process and its core business operations, with the focus relating to the oversight of professional boxing. We also reviewed selected financial and statistical data detailed in the commission's draft August 2003 Report to the Joint Legislative Sunset Review Committee (JLSRC).

The commission is responsible for protecting the health and safety of boxers, kickboxers and martial arts fighters by administering the laws relating to the State Boxing Act. It also must comply with the federal Professional Boxing Safety Act and Muhammad Ali Boxing Reform Act. Functionally, the commission consists of four components: licensing, enforcement, regulating events and administering the Professional Boxers' Pension Fund. Its responsibilities include establishing requirements for licensure, issuing and renewing licenses, approving and regulating events, assigning ringside officials, investigating complaints received, and enforcing applicable laws by issuing fines and suspending/revoking licenses.

In evaluating the commission's operations we interviewed pertinent personnel and reviewed relevant documentation and processes. We performed compliance testing of key functions and compared actual operations to applicable laws, regulations and guidelines. Our testing period was from July 1, 2002, through June 30, 2003. However, when deemed appropriate, we expanded some testing beyond this time period. The audit was performed in accordance with the *Standards for the Professional Practice of Internal Auditing*. Our last day of audit fieldwork was September 3, 2003.

Our audit revealed that the commission is experiencing many operational deficiencies, which are hindering its ability to comply with all applicable laws and regulations.

Our audit revealed that the commission is experiencing many operational deficiencies, which are hindering its ability to comply with all applicable laws and regulations. Recent budget cuts have also contributed to the ineffectiveness of several operational activities. We also noted that selected statistical data in the commission's draft August 2003 Report to the JLSRC was inaccurate or unsupported due to insufficient documentation.

The commission has taken steps to improve its funding condition by requesting a Budget Change Proposal to convert to a Special Fund Program. If the BCP is approved, the commission believes it will have the ability to increase revenues to an adequate level to fulfill its regulatory responsibilities.

The following audit issues are addressed in greater detail under the Findings and Recommendations and Other Pertinent Information sections of this report.

The commission lacks a sound strategic planning process for measuring the effectiveness of its operations.

The commission has not implemented the monitoring system described in its Plan, which would enable management to assess its progress in meeting defined goals.

We reviewed the commission's draft strategic plan (Plan), dated March 2003, and noted that it did not follow many recommended state strategic planning guidelines. While the Plan contained some elements of a sound strategic plan, it lacked the fundamentals to implement adequate strategic planning. In addition, the commission has not implemented the monitoring system described in the Plan, which would enable management to assess its progress in meeting defined goals. According to staff, management has requested the commissioners to approve the Plan during several of their regularly scheduled meetings, but they have not acted on the approval request.

We recommend the commission work with the department's E-Government and Special Programs Division to revise its Plan. It also should adopt a monitoring schedule of routine progress reports to assess its success in achieving goals and objectives.

The commission has a process in place to regulate professional boxing events, but needs to do more to improve many aspects of its operations.

We identified several deficiencies relating to revenue collections, cash handling procedures, and missing documentation in show files.

Our audit revealed that the commission has established adequate policies and procedures to ensure that professional boxing events generally comply with applicable laws and regulations. However, we identified several deficiencies such as inaccurate revenue collections, inappropriate cash handling procedures, missing documentation and disorganized show files. We believe the commission needs to take steps to address these issues because it runs the risk of not enforcing the laws and regulations enacted to protect the health and safety of the boxers.

We recommend that the commission take steps to improve its accounting and collection processes, implement a quality control process to enhance proper record keeping, and adequately train its staff to ensure they understand their responsibilities and duties relative to all applicable laws and regulations.

The commission's outdated information technology contributes to many of its inefficient operations.

The commission relies on an information technology system that is outdated in terms of performance, features, integration and flexibility.

The commission relies on an information technology system that is outdated in terms of performance, features, integration and flexibility. In addition, a lack of computer literacy among many of the commission staff hinders its ability to take advantage of modern technology. Consequently, many of the field operations are labor intensive, resulting in increased costs, duplication of effort, and a higher risk of errors. Given the current fiscal crisis, the commission's ability to replace its outdated system is severely limited and might not be feasible at this time. However, we believe that it could take other steps to enhance its operations by using existing technology and resources.

We recommend that the commission work with the department's Office of Information Services to explore the feasibility of using its current information technology infrastructure to improve several aspects of its operations.

The commission's licensing process could benefit from several improvements.

Several licensing procedures are not being consistently performed prior to granting licensure.

Our audit revealed that the commission needs to improve its licensing operations, in particular same-day licensing handled by its field inspectors. While we noted that licenses are being processed in a timely manner and staff is generally enforcing licensing requirements, we also found several licensing procedures not being consistently performed. As a result, many deficiencies were noted, which increase the risk of approving applicants who may not qualify under the law.

We recommend the commission formalize its licensing process by establishing a written procedural manual and implement a quality control system to provide further assurance that licensing requirements are satisfied and properly documented. Additionally, inspectors need to be adequately trained to ensure they understand all licensing requirements.

The commission needs to enhance its complaint handling processes.

The commission does not have a tracking mechanism for all of the complaints it resolves.

The audit revealed that the commission's complaint handling procedures lack several elements generally found in a sound process. First, the commission does not have a tracking mechanism for all of the complaints it resolves. Second, the commission does not keep separate files for non-arbitration complaints. Third, there is no established quality control process to ensure that staff consistently and properly handle complaints. We believe that the commission should establish a procedure manual as part of its quality control.

We recommend the commission establish a written procedural manual to guide staff with their complaint and enforcement responsibilities. The commission should also monitor its complaints and implement a quality control review process to ensure complaints are being handled properly and consistently.

The commission needs to explore ways to augment funding for its regulatory activities.

Recent budget cuts have impacted the commission's ability to perform some of its regulatory activities.

Recent budget cuts have impacted the commission's ability to perform some of its regulatory activities. Further cuts, as proposed in response to the state's current fiscal crisis, will increase the risk of potential harm to competitors as the commission's ability to carry out its regulatory responsibilities is further compromised. In an effort to address its funding shortage, the commission has been using the neurological fund to support staff working on non-related neurological activities. We believe the neurological fund should only be used for neurological-related activities as stated in the law. We also noted that the Pension Fund has not experienced profitability in recent years. The commission has taken steps to improve its funding condition, but more can be done.

We recommend that the commission continue working on its proposed Budget Change Proposal to become a Special Fund Program. We also recommend that it consult the department's Legislative and Regulatory Review Division about amending current law to continue additional contributions to the Pension Fund and expand the use of the Neurological Fund.

Other Pertinent Information

Selected Financial and Statistical data from the commission's draft August 2003 Report to the Joint Legislative Sunset Review Committee was inaccurately reported or unsupported.

As part of our audit we verified the reasonableness of selected fiscal year 2002-03 statistical and financial data from the commission's draft August 2003 JLSRC report. We judgmentally selected data and traced the information to underlying documentation. We concluded that most of the reported figures reviewed were inaccurate or unsupported due to lack of adequate documentation. The selected data is included under the Other Pertinent Information section of this report.

COMMISSION'S RESPONSE

The commission indicated it would implement most of our recommendations to improve its operations. However, the commission questioned the correctness of several audit conclusions in the draft report. The commission's response is included in this report as Attachment I.

To clarify our audit perspective to several of the commission's responses, we have provided our comments in Attachment II.

BACKGROUND

The California State Athletic Commission (commission) was created in 1924 via the state initiative process in response to public concern over the number of boxing-related injuries and deaths, and the involvement of unethical individuals in conducting boxing shows. It is one of several semiautonomous regulatory entities under the Department of Consumer Affairs (department) and is responsible for protecting the health and safety of boxers, kickboxers and martial arts fighters by administering the laws relating to the State Boxing Act. The governing body of the commission consists of seven public members, with all positions filled as of September 2003.

In fiscal year 2002-03, the commission's budget was $874,109, which was comprised of appropriations from the General Fund, the Professional Boxers' Pension Fund (Pension Fund) and the Boxers' Neurological Examination Account (Neuro Fund). It employs 7.9 authorized positions, of which 1.0 position is supported by the Neuro Fund and 0.5 position is supported by the Pension Fund. The commission utilizes approximately 20 part-time intermittent inspectors to assist in regulating events.

Functionally, the commission consists of four components: licensing, enforcement, regulating bouts, and administering the Pension Fund. Its responsibilities include:

- Establishing licensing requirements and issuing/ renewing licenses and sparring permits;
- Approving and regulating events, assigning ringside officials (referees, judges and ringside physicians), monitoring the boxers' pre-fight preparations (hand wraps, glove taping, protective gear, etc.), documenting pre-fight and post-fight physicals, overseeing the payments of competitors and ringside officials, tabulating round scores, and calculating ticket sales, taxes and other assessments;
- Enforcing the State Boxing Act by issuing fines and/or imposing other disciplinary actions (suspending or revoking a license);
- Investigating complaints, including participating in boxer-manager contract dispute arbitrations;
- Enrolling first-time California licensed boxers into the Pension Plan; and
- Providing industry-related information to the public.

Federal Law

The commission also must comply with the federal Professional Boxing Safety Act (1996) and Muhammad Ali Boxing Reform Act (2000). Key provisions of these mandates require the commission to:

- Issue a Federal Identification Card to professional boxers it licenses when they do not possess one from another state commission; and
- Report the outcome of professional boxing matches and boxer suspensions to a *boxer registry* (i.e., Fight Fax).

OBJECTIVES, SCOPE AND METHODOLOGY

The audit was performed in accordance with the *Standards for the Professional Practice of Internal Auditing*. The audit objectives were to determine whether the commission has:

- Established policies and procedures to guide staff in consistent handling of its operational activities;
- Complied with applicable laws and regulations; and
- A sound strategic planning process to evaluate its operations.

The audit methodology was limited to interviewing pertinent personnel, reviewing selected documentation related to the commission's policies and processes, and performing compliance testing on a sample basis as we deemed necessary. The scope of the audit was from July 1, 2002, through June 30, 2003. However, we expanded some compliance testing beyond this time period when deemed appropriate. The last day of audit fieldwork was September 3, 2003.

FINDING 1

FINDINGS AND RECOMMENDATIONS

The commission lacks a sound strategic planning process for measuring the effectiveness of its operations.

While the commission's strategic plan contained some elements of a sound strategic plan, it lacked the fundamentals to implement adequate strategic planning.

We reviewed the commission's draft strategic plan (Plan), dated March 2003, and noted that it did not follow many recommended state strategic planning guidelines. While the Plan contained some elements of a sound strategic plan, it lacked the fundamentals to implement adequate strategic planning. Also, the commission has not implemented the monitoring system described in the Plan, which would enable management to assess its progress in meeting defined goals. According to staff, management has requested the commissioners to approve the Plan during several of their regularly scheduled meetings, but they have not acted on the approval requests.

To evaluate the Plan, we reviewed strategic planning guidelines issued by the department and various government agencies, as well as the commission's own strategic planning process. We determined the key components of a sound strategic plan are:

- Internal/External Assessment
- Mission
- Vision
- Goals
- Objectives
- Action Plans
- Performance Measures
- Ownership of Deliverables
- Tracking and Monitoring
- Resource Assumptions

We also met with the department's E-Government and Special Programs Division for input on the department's current recommendations to the boards regarding strategic planning. According to the department, boards should define and monitor their deliverables to facilitate the comparison of operation results with specified goals and objectives. The boards also should conduct quarterly evaluations to monitor strategic plan implementation.

We found the Plan to be ambiguous and outdated.

The Plan is only slightly different from the original 1997 version; consequently, many of the performance measures and action plans are outdated and do not reflect the commission's current business climate. In addition, the Plan contains no objectives. Objectives provide the strategy for implementing goals and serve as a target for action plans and performance measures. The lack of objectives has resulted with some goals, action plans and performance measures overlapping one another.

Several action plans and performance measures do not provide a clear map of how goals and objectives will be achieved.

Several action plans and performance measures do not provide a clear map of how goals and objectives will be achieved. For example, one performance measure states that participant injuries will measure safety, with a decrease being favorable and an increase unfavorable. However, it fails to consider the severity of injuries or if there is an "acceptable" injury rate inherent to combative sports. In addition, there is no historical data used as a benchmark to measure success or failure. Performance measures should be quantifiable, objective and, when possible, include benchmarks to provide a basis for assessing achievements.

The Plan is also missing a resource assumption section. This section requires the Plan to include a realistic assessment of the goals in relation to available funds. When goals are not attainable within existing funds, the Plan should state the additional resources required for implementation. Given the commission's current budget situation, this assessment is extremely important and should be part of its planning process.

We also noted the commission is not monitoring its operations in relation to its goals and updating the Plan, as needed. The commission should develop a structured process to monitor and track actual progress in achieving the Plan's goals. Also, both the Plan and the planning process should be routinely reviewed to ensure they are current and relevant.

By addressing the deficiencies noted above, management will be better able to measure its success in achieving strategic goals and objectives and evaluate strategies that need to be reconsidered. When several strategic planning elements are missing, the Plan's usefulness as an effective management tool is diminished.

RECOMMENDATIONS

Given the recent budget cuts, we believe it is important the commission revisit its strategic goals in relation to available resources. We recommend the commission:

- Work with the department's E-Government and Special Programs Division to revise its Plan and, once finalized, the commissioners should approve it; and
- Adopt a monitoring process to assess its success in achieving Plan objectives and update the Plan, accordingly.

COMMISSION'S RESPONSE

The commission agreed with our recommendations. Refer to Attachment I for the commission's specific comments.

FINDING 2

The commission has a process in place to regulate professional boxing events, but needs to do more to improve many aspects of its operations.

As part of our audit, we evaluated the commission's policies and procedures for conducting professional boxing events. Our audit revealed the commission has established adequate policies and procedures to ensure these events generally comply with applicable laws and regulations. However, we identified several deficiencies such as inaccurate revenue collections, inappropriate cash handling procedures, missing documentation and disorganized show files. We believe the commission needs to take steps to address these issues because it runs the risk of not enforcing the laws and regulations enacted to protect the health and safety of the boxers.

Our audit noted the commission has an established process from the time a professional boxing event is initiated to its completion, inclusive of the collection of applicable funds. As part of its procedures, the commission ensures each person participating in the boxing event has a valid license, a valid and signed contract on file with the commission, and makes the agreed upon weight prior to participating in the match. The commission assigns all the necessary staff (i.e. ringside physicians, referees, judges, and timekeepers) to administer each event. The ringside physicians perform pre-fight physicals, examine certain boxers after their matches, and determine if a medical suspension should be issued. The commission inspectors determine the amount of taxes, assessments, fees and other payments required at the end of each event. The inspectors ensure the boxers receive their payments for services immediately after the boxing events.

The ringside physicians perform pre-fight physicals, examine certain boxers after their matches, and determine if a medical suspension should be issued.

To determine compliance with applicable laws, regulations, policies and procedures, we observed two professional boxing events in northern and southern California. During our observations, we interviewed several inspectors, referees and ringside physicians. We also performed compliance testing on 10 randomly sampled professional boxing events from January 1, 2002, through June 30, 2003. We ascertained whether the sampled boxing events demonstrated that the commission had followed its procedures and adequate documentation was maintained in the files. Based on our observations and compliance testing, we concluded the commission generally followed its procedures to ensure the professional boxing events complied with applicable laws and regulations. However, we noted the following deficiencies that management should address to strengthen its processes:

- Improper accounting for revenues collected and incorrect payment calculations;
- Inadequate cash handling procedures:
- Missing and/or incomplete official documentation; and
- Lack of file standardization.

Incorrect calculations and inadequate accounting practices are contributing to inefficient operations.

We noted the inspectors did not properly calculate the payments due to the commission for several of the boxing events we reviewed. In addition, accounting documentation was missing and/or illegible, making it difficult to determine if the commission had collected all the applicable fees. Furthermore, the commission is not maximizing its collections for complimentary tickets issued. We noted that it is the commission's practice not to charge state tax, and neurological and pension assessments for private shows such as the professional boxing show held at the Playboy Mansion in Beverly Hills. We believe it is essential that the commission collect all applicable payments due.

We believe it is essential that the commission collect all the applicable payments due.

One example of the commission's deficient accounting procedures involves a professional boxing event held on April 19, 2003, in Fresno, California. The boxing event generated gross receipts in the amount of $244,500, which would have required the promoter to pay the applicable taxes, assessments, licensing fees and other expenses detailed in Table 1.

Table 1

State Tax	$11,828
TV Tax	25,000
Neurological Assessment	3,331
Pension Assessment	4,600
Licensing Fees and Others	2,245
Total	$47,004

The amounts from the actual Box Office Report, Summary of Required Payments, for the event are shown in Table 2:

Table 2

State Tax	$36,660.23
TV Tax	25,000.00
Neurological Assessment	3,330.60
Pension Assessment	21,516.00
Licensing Fees and Others	2,245.00

The Box Office Report noted that the TV tax of $25,000 was already paid. After the calculations were completed, the inspector received

a check for $38,905.23. The check amount was based on the calculated state tax of $36,660.23 and Licensing Fees and Others of $2,245. By comparing the figures in Table 2 to the correct amounts in Table 1, it is apparent that the inspector incorrectly calculated the amounts due. Subsequently, commission staff discovered the incorrect calculations, returned the check to the promoter and requested the correct amount be paid.

During our review of this file on August 28, 2003, we noted the commission had only collected the $25,000 for the TV tax and $10,000 for state tax. The commission's cashiering log showed a transaction date of May 5, 2003, for the $25,000, and a date of August 4, 2003, for the $10,000. Based on this information, it does not appear the $25,000 was "already paid" as indicated on the Box Office Report. The commission is still owed $1,828 for state taxes, $3,330 for neurological assessment and $4,600 for pension assessment. These amounts have been outstanding for over four months. We were unable to determine whether the commission was paid the full amount for the Licensing Fees and Others because the commission's cashiering process is unable to provide a report showing the payments for fees and other expenses for an individual boxing event.

Given that the promoters are required to pay all applicable payments within 72 hours after the event, the commission is untimely in its collection process.

Given that the promoters are required to pay all applicable payments within 72 hours after the event, the commission is untimely in its collection process. To compound the matter, the fiscal year balances for the support, neurological and pension funds are misstated because of the collection delays.

Another problem we noted was missing payment information and the manner in which official payment documents were prepared. For several of the files reviewed, we were unable to locate adequate support for the calculation of the tickets sold and payout sheets for boxers and officials working the event. When we were able to review documents, they were often illegible, making it hard to determine if the proper amounts were paid to the boxers. Referring back to the boxing show of April 19, 2003, we were unable to determine the payout amount for one boxer and the amount paid to another boxer did not agree with his contract payment provisions (purse amount less listed deductions).

The boxer's purse amount was $30,000 and the deductions totaled $3,375, leaving an amount of $26,625 owed to the boxer. In reviewing the payoff sheet, we noted the promoter only paid the boxer $17,500, a difference of $9,125. When we discussed this issue with the commission's assistant chief inspector, he stated he

this calculation for the 10 files we reviewed. Of the files reviewed, we determined the commission should have collected additional fees for five of the 10 events. While the additional fees were relatively small compared to other taxes and assessments, the commission should be collecting all monies owed.

On July 15, 2003, the commission regulated a professional boxing event in Beverly Hills. The boxing event was considered a private show for which no tickets were sold and all the spectators were invited guests. The commission did not require the promoter to pay state taxes or neurological and pension assessments. The commission stated that since no tickets were sold for the event, it was not required to collect the applicable taxes and assessments. Private shows are not specifically addressed in the applicable laws and regulations; however, we believe the commission should consider collecting similar taxes and fees for private shows as required for other events held in California.

The commission's cash handling procedures have improved, but more needs to be done.

In December 2002, we addressed inadequate cash handling procedures used by commission staff. In the past, when commission staff received cash they wrote personal checks in lieu of depositing the money with the department's Cashiering Unit. This practice occurred at the commission's main office and at field events. Commission staff stated the reason for this practice was because of their understanding that the department did not accept cash deposits. We informed staff that it was acceptable to deposit cash with the department and on December 18, 2002, we communicated the correct cash handling procedures to the commission. Subsequently, the commission informed its inspectors it was no longer acceptable to write personal checks in lieu of cash received. During our compliance testing of the 10 boxing events, we did not note any instances of the past practice still occurring. However, we did note one instance of improper handling of cash collected at a boxing event on June 21, 2003.

On this occasion, the commission inspector collected a total of $240 in cash for licensing fees and one fine prior to the event. The general practice would be for the inspector to give the cash to the promoter and the promoter to write one check for all the amounts owed, including the $240. However, this did not occur because the inspector used the $240 in cash to pay parking for various officials working the event. The promoter was responsible for paying the officials parking not the commission. The inspector did not have the authority to use state funds to pay for an expense that was not the commission's responsibility. This type of cash handling does not

comply with acceptable state procedures outlined in the State Administrative Manual. Subsequently, the commission collected the $240 at a later boxing event.

Lack of standardization leads to inadequate documentation kept in the commission's official files.

Absent important documents, the commission may not be able to provide evidence that it followed all of its procedures to ensure boxer safety and compliance with applicable laws and regulations.

The sampled files we reviewed were very unorganized and missing many official documents used during the boxing events. Absent these important documents, the commission may not be able to provide evidence that it followed all of its procedures to ensure boxer safety and compliance with applicable laws and regulations. Important documents such as individual bout scoring cards, notices of suspension, payout sheets for boxers and officials, and female pregnancy disclaimer forms were not always included in the boxing event files. In addition, we noted several instances of incomplete documentation for pre-fight physicals, inspector's check-off sheets, and inspector's memorandums.

One area of concern is the lack of documentation regarding boxers' health and safety. As previously mentioned, the commission has an adequate process in place to ensure boxers are physically fit to compete prior to the actual fights. As part of this process, ringside physicians perform pre-fight physicals, work at ringside during each fight, and provide after-contest recommendations as to whether certain boxers should be suspended from future boxing activities for a specified period of time. During our review of the 10 sampled files, we generally found the ringside physicians adequately performed their procedures. However, we noted several instances where these procedures were not documented on the commission's official forms.

Referring to the April 19, 2003, event in Fresno, a boxer was knocked out in Round 4. The Notice of Suspension was prepared, but it does not appear the boxer received this notification because he did not sign it. In addition, the physician's report does not record any suspension information for the boxer. Another example of inadequate documentation involved the heavyweight championship fight held in Los Angeles on June 21, 2003. There was no evidence the heavyweight champion and his opponent were given pre-fight physicals. During the bout both fighters sustained enough harm that they were suspended from contact training for a specific period of time. However, the physician did not report their suspension information on the Physician's Report.

Fight Fax has been established as the official organization to keep suspension information for all boxers within the United States. Prior to authorizing a professional boxing match, the applicable state athletic commission is required to request suspension information for each contestant. In turn, state athletic commissions are required to notify Fight Fax of all boxers suspended during a competition within their jurisdiction. To fulfill this requirement, the commission faxes the Supervisor's Reports to Fight Fax after each boxing event. However, commission staff informed us they do not keep any confirmation that Fight Fax received the notifications. In fact, staff stated there are many times that Fight Fax disputes it received suspension information from the commission. We believe the commission should keep the fax confirmation reports, along with the information sent to Fight Fax, in the boxing event files.

The commission could address documentation deficiencies by implementing standardization for its files.

The commission could address these documentation deficiencies by implementing standardization for its files. The use of file indexes, documentation checklists and prearranged file sections will allow staff to determine if all the necessary official documentation is in the individual files. In addition, staff would be able to identify missing or incomplete information and notify the responsible party to correct the deficiencies.

RECOMMENDATIONS

To ensure the commission enforces the applicable laws and regulations governing professional boxing events, we recommend the commission:

- Provide adequate training to its inspectors to ensure they understand their regulatory responsibilities;
- Utilize electronic spreadsheets that include predefined calculations to determine the amounts due. In addition, the spreadsheets should provide a mechanism to reconcile the Show Payment Balance Sheet to the Box Office Report and a mechanism to reconcile the amounts collected for each event to the actual payments made by the promoters;
- Take steps to ensure the promoters pay all applicable payments within 72 hours after the events; and
- Implement a quality control process to ensure all official documentation is appropriately completed and maintained in event files. In addition, a formal process for communicating suspensions and retaining confirmation of the suspension notifications should be established.

COMMISSION'S RESPONSE

The commission agreed to implement the audit recommendations. However, in its response the commission questioned the accuracy of several audit conclusions relating to tax and assessment calculations, documentation in show files and boxer suspension notices. Refer to Attachment I for the commission's complete response.

AUDITOR'S COMMENTS ON THE COMMISSION'S RESPONSE

We have provided our comments (Attachment II) to the commission's response to clarify our audit conclusions.

FINDING 3

The commission's outdated information technology contributes to many of its inefficient operations.

The commission relies on an IT system (AthCom) that is outdated in terms of performance, features, integration and flexibility for many of its information-related needs. In addition, a lack of computer literacy among many of the commission staff hinders its ability to take advantage of modern technology. Consequently, many of the field operations are labor intensive, resulting in increased costs, duplication of effort, and a higher risk of errors. Given the current fiscal crisis, the commission's ability to replace its outdated system is severely limited and might not be feasible at this time. However, we believe the commission could take other steps to enhance its operations by using existing technology and resources.

AthCom does not provide the functionality needed to allow staff to perform their operations efficiently.

The original version of AthCom was written in FoxPro 2.0, DOS version, in 1992. During the Y2K conversion process in 1999, the commission entered into a contract with a consultant to enhance AthCom to be Y2K compliant and provide greater functionality under Microsoft Windows. The consultant performed some of the proposed services under the contract but according to the commission, the consultant did not complete all of the contracted services and deliverables. As a result, the updated system lost functionality for several of its modules.

Many staff complained about the inefficiencies caused by the system's design, inflexible platform and lack of modules to perform certain operations.

The AthCom system has six modules available to manage its information, however, staff indicated they are only using three. Commission staff communicated several reasons for the limited use. First, the lack of an adequate user manual prevents them from fully utilizing the system. Second, staff stated the consultant never provided training regarding the modules' functionality. Third, the department's Office of Information Services (OIS) does not support AthCom's outdated technology. Given these problems, the system provides limited assistance to staff when performing their daily routines. In fact, many staff complained about the inefficiencies caused by the system's design, inflexible platform and lack of modules to perform certain operations.

We noted the system's design does not allow it to keep historical boxers' suspension information. Without this tracking feature,

the commission's ability to protect the safety of boxers is limited. According to staff, there are occasions when the commission needs to know if certain boxers are at risk because of prior suspensions due to knock outs, cuts or other injuries. The AthCom has a feature that allows the commission to record suspensions and the number of days the boxers are suspended before they can fight again. However, the system was only designed to show current suspensions. When the boxers' suspension periods are over, the system no longer shows the boxers as having been suspended nor does it provide historical suspension information. This limitation makes it difficult to track potential boxers at risk of physical harm from continuous punishment received in the ring.

The system is unable to track historical information for many of its licensing and statistical information.

The system also is unable to track historical information for many of its licensing and statistical information reported to external requesters. As noted under the Other Pertinent Information section of this report, page 40, we determined the commission inadequately reported many of the statistical information in its draft August 2003 Report to the Joint Legislative Sunset Review Committee (JLSRC). For the licenses-issued category, staff stated the only way to report the correct figure was to physically count the license folders and this would take an enormous amount of time.

The system's inability to extract and report selected information adds to the inefficiencies. Commission staff stated there are many occasions when ad hoc reports are necessary to assist them during normal business operations. For example, staff might need to know all the boxers under contract with a specific manager. These types of ad hoc reports are not being created because the system does not provide the flexibility to query selected databases and extract the desired information. Thus, the commission must expend additional staff resources to obtain the desired information. As previously stated, the department is unable to provide much assistance because it does not support the system's platform.

Another concern is that AthCom does not have an enforcement module, which limits the commission's ability to properly track complaint and enforcement information. As noted in Finding 5, we identified several deficiencies related to the commission's enforcement program. In order for the commission to improve its program, it should have a system capable of recording, tracking and reporting enforcement activities.

Many field operations could be improved by taking advantage of modern technology.

During our observation of two professional boxing events, we noted the commission inspectors do not use modern technology for many routine processes. Instead, they rely on a labor-intensive, manually driven process involving duplication of handwritten information on several official forms. Information such as boxers' names, weight, and scheduled rounds are written on many commission forms. In addition, the assistant chief inspector stated they must print several licensing reports prior to each event. This practice is inefficient and costly. We also verified the inspectors use hand-held calculators to determine the amount of monies owed to the commission. During our observations, we noted there is no verification that the calculated amounts were accurate. As noted in Finding 2, we identified several errors during our compliance testing.

Given the commission's current fiscal constraints, its ability to fund a new IT project is not feasible at this time. However, we believe the commission could still implement several short-term solutions to address some of its problems.

The long-term solution to addressing these problems is to replace the existing system. Given the commission's current fiscal constraints, its ability to fund a new IT project is not feasible at this time. However, we believe the commission could implement several short-term solutions to address some of its problems. First, the commission could start using its laptop computers at each event. Prior to each event, the inspectors could download the AthCom licensing data files from its server and have all current licensing information during the same day licensing process. This will eliminate the need to print the numerous pages of licensing reports. Also, inspectors will have the ability to determine whether they need to obtain the pension enrollment forms for first-time boxer licenses. As noted in Finding 4, inspectors have not been obtaining these forms, which causes additional work for office staff.

The commission should also take advantage of current spreadsheet technology to reduce efforts to duplicate information on the various forms. Spreadsheets allow documents to be linked to each other. By linking documents, the need to duplicate information is dramatically reduced because the information only needs to be inputted on one document and the other linked documents are automatically updated with the same information. Another advantage spreadsheets offer is the ability to automatically calculate figures based on predefined formulas. The assistant chief inspector has developed a spreadsheet to compute the amounts due for taxes and assessments based on sold and complimentary tickets. The spreadsheet also calculates payments for physicians, judges, referees, and timekeepers. We

believe this spreadsheet could be expanded to incorporate the amount of fees dues and reconciled to the Box Office Inspector's Report. The spreadsheet could be used by all inspectors and would improve the efficiency of the field operations and reduce the amount of calculation errors similar to the ones noted in Finding 2.

We also believe the commission could work with one of the department's IT staff to develop specific queries and reports to extract desired information. The current database files use a .dbf file extension. As we previously mentioned, the department does not support AthCom, but it does use database software that has the ability to extract existing information from .dbf files without the need to modify AthCom's program files. The department has staff with the knowledge of extracting the desired information and putting the data in a report format the commission could use to improve its operations. By generating these reports, the commission would be better able to gather necessary information to assist staff in their daily activities.

Training will be the key to implementing IT changes within the current operating environment.

In order to successfully implement change, inspectors will need to be adequately trained in spreadsheet and system operation technology.

Commission staff will need to receive adequate training to take advantage of the short-term solutions proposed. Based on our observation, the field inspectors appear to be comfortable with the current manual processes used at the weigh-ins and boxing events. In order to successfully implement change, these staff will need to be adequately trained in spreadsheet and system operation technology. We believe the department would be a valuable resource in assisting with these training requirements. In addition, the assistant chief inspector understands basic spreadsheet technology and could help the other inspectors in their training needs. Department staff could also train the assistant chief inspector on how to use queries and reports to generate ad hoc reports.

RECOMMENDATIONS

In addressing its outdated IT technology, we recommend the commission explore the feasibility of the following solutions:

- Work with the department's OIS staff to determine whether AthCom's licensing information can be loaded on laptops prior to events;
- Continue the development of spreadsheets to calculate Box Office Report figures, account for and reconcile all the funds due at events, and reduce duplication of information; and

- Work with the OIS staff to develop the queries and report formats necessary to extract data from AthCom.

COMMISSION'S RESPONSE

The commission agreed with the audit recommendations. However, in its response the commission questioned audit conclusions relating to tax and assessment computations and using laptops for event activities. Refer to Attachment I for the commission's complete response.

AUDITOR'S COMMENTS ON THE COMMISSION'S RESPONSE

We have provided our comments (Attachment II) to the commission's response to clarify our audit conclusions.

FINDING 4

The commission's licensing process could benefit from several improvements.

Our audit revealed that the commission needs to improve its licensing operations, in particular same-day licensing handled by its field inspectors. While we noted that licenses are being processed in a timely manner and staff are generally enforcing licensing requirements, we also found several licensing procedures not being consistently performed. As a result, many deficiencies were noted, which increase the risk of approving applicants who may not qualify under the law.

The commission issues 20 licenses (16 personal, 3 business, and a sparring permit). Licenses must be renewed annually since they expire on December 31 of each year. In addition to office staff, commission inspectors are authorized to approve license applications for boxers, managers and seconds. The Federal Boxing Act, State Boxing Act, and applicable Penal Codes and CCRs govern the commission's licensing operations.

To determine compliance with the applicable licensing laws and regulations, we performed detailed testing on 108 randomly selected licensing files.

To determine compliance with the applicable licensing laws and regulations, we performed detailed testing on 108 randomly selected licensing files as follows: professional boxer (44), manager (13), promoter (19), referee (12), judge (10), and matchmaker (10). All applicants tested were licensed in 2003 between January 1 and July 15. We reviewed the files for evidence to support compliance with eligibility requirements, reasonable processing times, and proper handling of Criminal Offender Record Information (CORI).

Our testing results revealed 75 percent of the licensing files were approved in less than a month, with longer processing times for promoter applications since they also require approval by the commissioners. Our testing also noted the following deficiencies:

- Lack of adequate documentation in files to confirm licensing requirements were satisfied;
- Training clinics and competency exams are not being administered;
- Official paper licenses are not being issued; and
- Required CORI procedures were not always followed.

Applicant files lacked documentation to substantiate all licensing requirements were satisfied prior to granting licensure.

During our testing of the 108 files. we noted certain documentation was missing or inadequate. Examples of these exceptions are: (1) inadequate medical examination results: (2) lack of Federal Identification Card verification; (3) lack of documentation showing boxer applicants met the "ability to compete" requirement; and (4) missing Boxer Pension Enrollment Forms.

We noted 10 percent of the professional boxer files reviewed contained problems relating to either the boxers' blood test results or neurological, eye or physical exam reports.

We noted 10 percent of the professional boxer files reviewed contained problems relating to either the boxers' blood test results or neurological, eye or physical exam reports. Exceptions we noted included incomplete or expired HIV/HEP blood exam results, no eye examination performed, and neurological examination reports missing critical information (i.e. the physician's signature or boxer's identity). One significant exception involved a discrepancy between the boxer's signature on the license application and the signature on the neurological examination report. Specifically, the surname was spelled different on each document and the handwriting was not the same, which leads one to believe that different people signed the application and the neurological report. Given the serious consequences of a boxer competing without satisfying the medical and neurological requirements, it is imperative boxer applications are closely scrutinized.

As required by the Federal Boxing Act, professional boxers must posses and present a Federal Identification Card (FIC) in order to compete. The commission's licensing process requires the boxers to provide their unique FIC number prior to participating in boxing events. If the boxer does not possess a FIC. then the commission must issue one. Twenty percent of the professional boxer license files we reviewed lacked the FIC number on the application form. While the boxers might have had a FIC, the lack of documentation precluded us from confirming this.

Another area needing improvement relates to the inadequate documentation to show the commission properly verified new boxers' "abilities to compete." In the event of a first-time licensed boxer suffering a serious injury. the commission assumes a huge liability by failing to document the bout record was substantiated. Pursuant to the applicable CCR. prior to being issued a license, a boxer must demonstrate his/her ability to compete by furnishing the commission with a verified copy of his/her last six bout results. If a boxer with a limited bout record is unknown. then commission staff will confirm the information via Fight Fax, a nationwide boxer registry.

During our review of first-time licensed boxers in California, we noted the files lacked documentation to substantiate the commission verified the boxers' prior bouts. The commission should retain bout history in the files to document that the boxers' abilities to compete were evaluated.

Another deficient area is the lack of pension enrollment forms being completed at the time of licensure. Our compliance testing noted eighty percent of the first-time licensed boxers had not been enrolled in the Boxers' Pension Plan. Commission office staff were aware of this problem and sent a letter to all inspectors reminding them it is a requirement to have first-time boxers prepare the enrollment forms. However, according to the commission's chief inspector, they do not require pension enrollment forms to be filled out because many boxers licensed at boxing events are not first-time boxers, but renewing their licenses. Given the high error rate we noted, the field inspectors should be complying with the office staff's request to obtain these forms.

Our compliance testing noted eighty percent of the first-time licensed boxers had not been enrolled in the Professional Boxers' Pension Plan.

When inspectors fail to provide the forms to first-time licensees, this creates additional work for commission staff because they need to mail the forms to the boxers. This process is often unsuccessful due to the transient lifestyle of boxers. As the administrator of the pension plan, the commission should be making every effort to ensure professional boxers are aware of this benefit and provided the opportunity to participate.

We found most of the inadequate documentation deficiencies noted above involved boxers who had been licensed by inspectors.

During our observation at two boxing events, we noticed that many activities were being conducted concurrently, increasing the risk of errors and irregularities. The inspectors constantly must answer questions, take photos, receive voluminous documentation and manually prepare official forms. We also noted some of the inspectors appeared unsure of what needed to be done; therefore, they relied on the expertise of the chief inspector or assistant chief inspector. We believe the commission could greatly benefit from an inspector's procedural manual and adequate training. In the past, the commission conducted routine inspector's clinics to train the inspectors in their roles and responsibilities. Due to the budget cuts, the commission has been unable to conduct these clinics. During our observations, we noted one inspector regulating the northern event had not participated in a clinic within the mandated timeframe.

The inspectors constantly must answer questions, take photos, receive voluminous documentation and manually prepare official forms.

The commission informed us that inadequate staffing at boxing events has made it difficult to effectively oversee the events. The commission indicated the minimum number of inspectors to regulate an event should be three to five but this is not always possible. During our review of the two boxing events, two inspectors regulated one and three inspectors regulated the other.

Training clinics and competency exams are not being provided for many officials working the events.

None of the referee files we tested contained documentation that the referees had participated in a training clinic on boxing rules and the recognition of boxing-related injuries within the last six months of officiating an event. All manager, promoter and matchmaker files, and 60 percent of the judge files we tested did not contain evidence that the competency exam requirement was satisfied. In addition, none of the referee files and 20 percent of the judge files lacked documentation as to how the proficiency criterion was met.

The applicable mandates require 1) training clinics; 2) passing competency exams; and/or 3) demonstration of proficiency as conditions of licensure for various commission licensees. Specifically, CCR 371 requires referees to perform in several training sessions to demonstrate proficiency and pass a competency exam on the fundamentals of boxing, refereeing, judging and California boxing mandates. CCR 379 requires judges to pass a similar competency exam and demonstrate proficiency. Applicable CCR require managers, matchmakers and promoters to pass a written competency exam on California boxing rules and regulations. All of these requirements may be waived if the individual is licensed and in good standing with another state commission.

Staff advised us the commission has not been administering the competency exams due to budget cuts, and management proposed to the commissioners to amend the regulations to make the competency exam for managers and matchmakers optional. To date the commissioners have not taken any action on the request. The commission indicated that because it has been unable to administer the competency exams or hold the proficiency clinics, it has not issued any new judge or referee licenses and only renewed the licenses of individuals who previously passed the exam and whose expertise was already known. However, restricting new licensees at this time could limit the resource pool of seasoned, expert referees and judges for the future.

The commission is not issuing paper licenses to its licensees.

As noted in Finding 3, the commission's computerized system lacks the functionality for staff to efficiently perform many of their duties. One example of AthCom's shortfalls relating to licensing is that the system is unable to print paper licenses. Since the commission lacks the staff to manually issue individual licenses, alternative methods to ensure only licensed individuals participate in events were developed. For example, prior to each competition, staff creates reports detailing licensing information for all competitors and their managers and seconds. The inspectors use these reports to confirm licensure or as the basis for requesting additional licensing information. Since the commission assigns all judges, referees, timekeepers and physicians to the events, it can assure only licensed individuals are officiating.

Required CORI procedures were not always followed, but the commission improved its processes.

The commission requires a criminal history clearance for promoters, managers and matchmakers/assistant matchmakers as a condition of licensure. As a CORI-subscribing agency, the commission must comply with applicable mandates and Department of Justice (DOJ) requirements. We confirmed the staff assigned to review the CORI reports had been cleared to handle CORI, as required. Additionally, we noted that pursuant to CCR, the commission was destroying CORI information after the final licensing determination. However, we found CORI reports for license applicants were being received on an unsecured fax, required DOJ forms were outdated and the commission was submitting No Longer Interested in Subsequent Arrest Notification Forms in an untimely manner.

We addressed these issues with management, and the commission immediately took steps to rectify the problems.

We addressed these issues with management and the commission immediately took steps to rectify the problems relating to the fax and the forms. We observed during one of our subsequent visits that CORI was no longer being received via a fax, but electronically on a password-secure computer with only staff cleared to handle CORI having access. Additionally, staff showed us current and signed Employee Statement Forms, Subscriber Agreement, Custodian of Records Form and a CORI policy.

The commission receives subsequent arrest information from the DOJ for promoters, managers and matchmakers/assistant matchmakers. Commission staff advised us that due to the transient nature of the industry, No Longer Interested in Subsequent Arrest Notification Forms are submitted only when subsequent arrest information is received and the individual has not been licensed for several years. However, the DOJ requires immediate notification when a license is revoked or the licensee does not renew. To avert the possibility of the DOJ canceling its subsequent arrest notification contract, the commission needs to submit the notification forms to DOJ in a timelier manner.

Written procedures will enhance the effectiveness of the commission's licensing process.

We found the commission lacks documented processes and procedures for its licensing activities and instead relies on experienced staff and a structured application process. However, should this knowledgeable staff leave, the risk of processing errors and irregularities is high. Given the current potential layoff of many state employees, we believe it is imperative the commission develop written procedures for its licensing operations to guide inexperienced staff who might have to assume new responsibilities due to downsizing.

RECOMMENDATIONS

To help ensure the commission enforces the applicable laws and regulations governing its licensing activities, we recommend the following:

- Establish written procedures to guide staff with licensing activities;
- Develop checklists for applicant files to ensure all official documentation is properly completed and retained in the files, and establish quality control reviews;
- Adequately train inspectors to ensure they understand all licensing requirements;
- Explore funding options to ensure referee clinics and competency exams are being administered; and
- Work with the DOJ to determine an "acceptable" time to submit No Longer Interested in Subsequent Arrest Notification Forms.

COMMISSION'S RESPONSE

The commission agreed to implement the audit recommendations. However, in its response the commission questioned audit conclusions relating to the Federal Identification Card, "ability to compete" requirements for boxers, and at-event licensing by commission inspectors. Refer to Attachment I for the commission's complete response.

AUDITOR'S COMMENTS ON THE COMMISSION'S RESPONSE

We have provided our comments (Attachment II) to the commission's response to clarify our audit conclusions.

FINDING 5

The commission needs to enhance its complaint handling processes.

The audit revealed the commission's complaint handling procedures lack several elements generally found in a sound process. First, the commission does not have a tracking mechanism for all of the complaints it resolves. Second, the commission does not keep separate files for non-arbitration complaints. Third, there is no established quality control process to ensure staff consistently and properly handles complaints. We believe the commission should establish a procedure manual as part of its quality control.

The commission has the authority to revoke/suspend licenses and issue fines for violations of the applicable laws and regulations. It also can suspend competitors' licenses for medical reasons (knock out or injury) or revoke them (permanently retire) for "lacking the ability" to compete. The commission has specific staff assigned to handle complaints and partners with the Attorney General's Office (AG) to arbitrate boxer-manager contract disputes. According to staff, boxer-manager contract disputes constitute most complaints received with approximately half resolved by staff and half referred to arbitration.

The commission does not use a tracking system for all of its consumer complaints, which makes it difficult to evaluate its timeliness in addressing them.

The commission does not use a tracking system for all of its consumer complaints, which makes it difficult to evaluate its timeliness in addressing them. We were unable to determine if the commission was resolving non-arbitration complaints (e.g., appeals of suspensions/revocations, requesting a review of a bout decision and challenging neurological exam results) and contract disputes resolved in-house in a timely manner because the complaints are not formally documented and processing times are not tracked. For complaints referred to arbitration, a log is used to track certain information. The commission indicated it takes about ninety days for an arbitration hearing to be set and a decision rendered. However, we were unable to confirm this because the log lacked pertinent information and the AG does not track the cases.

Another problem caused by an inadequate tracking system is the inaccurate reporting of complaint statistical information to external stakeholders. As part of our audit, we selected and verified the accuracy of certain complaint statistical information in the commission's report to the JLSRC. As reported under the

Other Pertinent Information section of this report, the commission resorted to estimates or hand counts to provide the statistical data. In these cases, we had to conclude the reported information was not supported. Implementing a comprehensive complaint tracking system would promote accurate information reported to the department and Legislature.

The commission needs a documented procedural manual for handling complaints.

The executive officer resolves most non-contract dispute complaints involving suspension appeals, bout decisions or the improper conduct of commission inspectors and officials. We noted the only documentation to support the resolution of the complaints are the letters written to the complainants, which are filed in the chronological file together with other correspondence the commission issues.

The commission relies on experienced staff to conduct most of its complaint handling procedures.

Additionally, the commission relies on experienced staff to initially handle all contract dispute complaints. If the matter is resolved in-house, there is no documentation of how the matter was addressed. This process is lacking because there is no way to determine whether staff properly analyzed the situation and came to an appropriate resolution. To compound the problem, the commission does not have a procedural manual to assist staff in addressing complaints, or supervisor reviews for added assurance that complaints were properly and consistently handled.

While relying on experienced staff helps to reduce inadequate complaint handling, the commission may be in a vulnerable position if the staff leave. Given the state's current layoff situation, we believe it is critical the commission develop detailed procedures to guide inexperienced staff who may have to assume new responsibilities due to downsizing.

RECOMMENDATIONS

To help ensure the commission enforces the applicable laws and regulations governing its complaint handling activities, we recommend the following:

- Establish written procedures to guide staff to consistently follow proper procedures;
- Effectively monitor all complaints received to ensure proper documentation, accurate reporting, and timely resolution; and
- Implement quality control reviews to ensure complaints are handled properly and consistently.

COMMISSION'S RESPONSE

The commission agreed to implement a formal tracking system for all complaints received but maintains that in spite of documentation, it resolves complaints received in a timely manner. For the commission's complete response, refer to Attachment I.

AUDITOR'S COMMENTS ON THE COMMISSION'S RESPONSE

We have provided our comments (Attachment II) to the commission's response to clarify our audit conclusions.

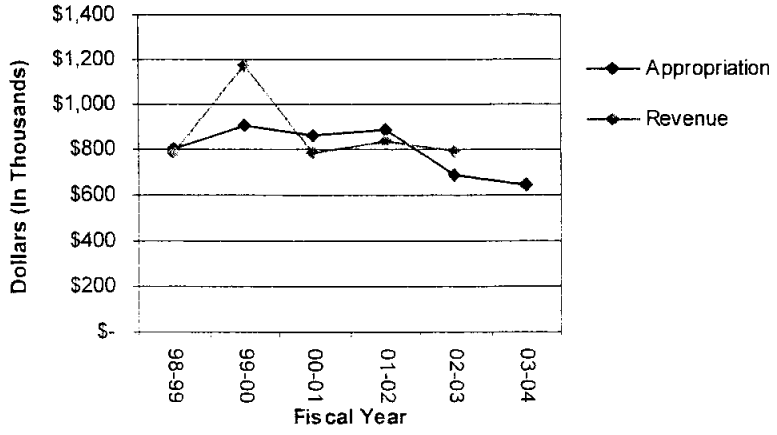
FINDING 6

The commission needs to explore ways to augment funding for its regulatory activities.

Recent budget cuts have impacted the commission's ability to perform some of its regulatory activities. Further cuts, as proposed in response to the state's current fiscal crisis, will increase the risk of potential harm to competitors as the commission's ability to carry out its regulatory responsibilities is further compromised. In an effort to address its funding shortage, the commission has been using the Boxers' Neurological Assessment Account (Neuro Fund) to support staff working on non-related neurological activities. We believe the Neuro Fund should be used only for neurological-related activities as specified in law. We also noted the Professional Boxers' Pension Fund (Pension Fund) has not experienced profitability in recent years. While the commission has taken steps to improve its funding condition, more can be done.

Budget cuts in fiscal years 2002-03 and 2003-04 have significantly reduced the funding necessary for the commission to provide the same level of service as in the past.

The commission generates revenue via a tax on event ticket sales and broadcasts, licensing fees, fines, and sales of documents (licensee photos and regulation books). The revenue is deposited into the General Fund and, in turn, the commission receives a General Fund Appropriation. Commission staff stated license revenues remain fairly constant each year, but the revenues from show events are unpredictable. Therefore, the consistent revenue stream provided by a General Fund appropriation has worked well in the past. However, budget cuts in fiscal years 2002-03 and 2003-04 have significantly affected the commission's ability to provide the same level of service as in the past. As shown in the graph below, with the exception of one year, General Fund appropriations were slightly higher than revenues in the past. However, in fiscal year 2002-03 the General Fund appropriation was reduced by $244,918 or 23 percent.



In fiscal year 2003-04, the commission's appropriation was further reduced by $41,060, and it may still be subject to the 16 percent cut included in its reduction plan submitted to the Department of Finance. If the reduction plan is approved, the commission's appropriation would drop to $540,120, which would reflect a 39 percent reduction from the fiscal year 2001-02 appropriation amount. Considering the magnitude of the reduction, existing operational deficiencies may increase.

The lack of inspector clinics and/or insufficient inspectors regulating events increases the likelihood of applicable laws and regulations not being adequately enforced.

According to the commission, budget cuts have restricted its ability to conduct mandated training clinics for officials working the events; administer competency exams required to be licensed as a referee, judge, manager, promoter or matchmaker; and assign the optimal number of inspectors to oversee competitions. These shortcomings have the potential to significantly compromise the health and safety of competitors. The lack of inspector clinics and/or insufficient inspectors regulating events also increases the likelihood of applicable laws and regulations not being adequately enforced.

Personnel expenses for commission staff performing support activities are being charged to the Neuro Fund.

We believe the commission has been incorrectly charging personnel expenses equivalent to one full-time staff services analyst position to the Neuro Fund. Current law states the commission may assess promoters, managers, or professional boxers to fund the Neuro Fund to cover all costs associated with the exam requirement. We identified the two staff that the commission was charging half of their time to the fund and found their daily activities only include a very small portion of time related to the exam requirement. Furthermore, we noted an office technician performing licensing activities is responsible for reviewing the neurological exam results, but none of her time is charged to the Neuro Fund. We do not believe all of the neurological-related activities performed by commission staff constitute the work of a full-time position.

The Pension Fund's consistent decline in the past several years will reduce boxers' pension benefits in future years.

The Pension Fund was created by the Legislature to provide some financial security to professional boxers. The commission is entrusted with establishing the methods to finance the fund, which include, but are not limited to, assessments on tickets and

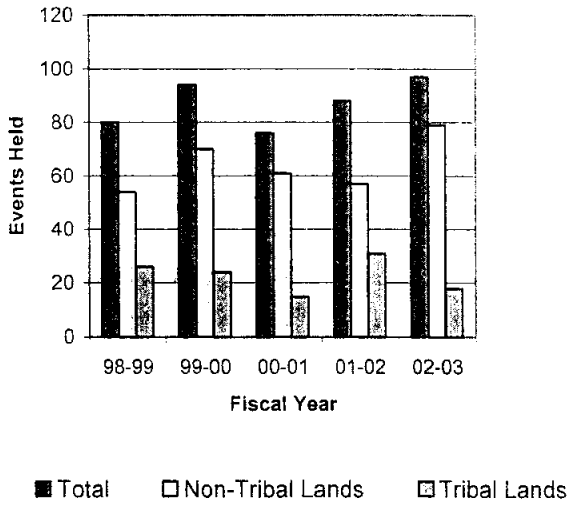
contributions by boxers, managers, and promoters. Currently, the commission imposes an 88 cents-per-ticket assessment on event tickets, up to a maximum collection of $4,600 per event. Additionally, a provision in Business and Professions Code (BPC), Section 18824, which is scheduled to sunset on December 31, 2005, permits additional collections when the gate tax exceeds $70,000.

We verified the Pension Fund has experienced a consistent decline in value over the last three years.

We verified the Pension Fund has experienced a consistent decline in value over the last three years. The decrease can be attributed mainly to the loss of value in the Wachovia Investment Fund in which the majority of the pension contributions are invested. In January 2000, the investment fund consisted of $3,394,501; in January 2003, the balance was $2,634,880. We noted the commission expends a relatively large amount of the Pension Fund on staff time and administration costs. The Pension Fund supports a half-time staff services analyst position and during the past five fiscal years, 74 percent to 92 percent of the fund's operating expenses were related to consultant or attorney fees. While future market conditions may offset the recent losses suffered in the Wachovia investment account, continued high administration costs could impact the future pension benefits of boxers enrolled in the plan.

Events held on tribal land allow promoters to avoid taxes and assessments.

The commission is aware of the funding issues relating to events held on tribal lands that enable promoters to avoid taxes and the boxing-related assessments established to benefit the sport they promote. In its draft August 2003 Report to the Joint Legislative Sunset Review Committee, the commission stated it is not uncommon for 25 percent of the California bouts to take place on Indian reservations. When a competition is held in one of these sovereign nations, a flat fee of only $1,500 is collected for the commission's services. Furthermore, the commission stated it is unable to collect the assessments for the Pension and Neuro funds. The graph on the following page details the number of bouts held on tribal land, non-tribal land and overall over the past five years.



We agree that approximately 25 percent of the bouts are occurring on tribal lands and this is resulting in reduced Neuro and Pension fund revenues. However, we noted revenue fluctuations are not just based on the number of events. We believe the number of tickets assessed is the key to pension and neurological revenues (i.e., larger-draw venues generate more ticket sales, which yields greater revenues). The table below details actual Neuro Fund revenues and boxing events held for the listed fiscal years, and illustrates how Neuro revenues are more aligned with ticket assessments than the number of events.

Fiscal Year	Tribal Events	Non Tribal Events	Neuro Fund Revenue	Tickets Assessed
98-99	26	54	$49,585	82,642
99-00	24	70	$45,826	76,377
00-01	16	61	$42,391	70,651

In fiscal year 1998-99, the total number of non-tribal events was less than the two subsequent years. However, the Neuro Fund revenue was greater because more tickets were assessed. Consequently, the commission needs to identify measures to attract bigger-draw events to California, which would result in more ticket sales and increased revenues.

The commission has taken steps to secure the funds necessary to meet its regulatory responsibilities, but more can be done.

The commission is requesting a Budget Change Proposal to eliminate its reliance on the General Fund.

Subsequent to the last day of fieldwork, we were informed the commission is pursuing a legislative proposal and a Budget Change Proposal (BCP) to eliminate its reliance on the General Fund. We believe the commission is taking a proper course of action for establishing a secure funding source for its support activities. Additionally, establishing a special fund could heighten receptiveness to potential fee increases since the monies would directly benefit industry activities instead of being deposited into the General Fund.

We also believe the commission should explore the possibility of having the promoters pay gate taxes and pension and neuro assessments on revenues generated on tribal lands. We contacted a staff attorney with the Franchise Tax Board regarding the state taxation of revenues earned on tribal lands. The legal counsel stated the boundaries and limitations on taxation with respect to Indian tribes is an evolving area. Although the State cannot generally tax tribes or certain income of tribal members, these restrictions do not exist for non-tribal members; in this case, promoters. As a result, our understanding is that the incomes generated by the promoters on tribal land are subject to state taxes. If this is the case, then why are promoters being shielded from the tax and assessments charged by the commission? The commission should perform further research in this area to determine the possibility of requiring the promoters to pay their fair share for bouts held on tribal lands.

RECOMMENDATIONS

We recommend the commission:

- Continue with its BCP to convert to a special fund for its support activities;
- Work with the department's Legislative and Regulatory Review Division regarding the possibility of extending the sunset date of December 31, 2005, included in BPC Section 18824;
- Seek a legal opinion regarding the possibility of requiring promoters to pay their fair share of taxes and assessments for events held on tribal lands.

- Work with the department's Legislative and Regulatory Review Division on amending BPC Section 18711 to enable the Neuro Fund to be used to cover expenses associated with the mandated referee and physician training clinics. Given that a key purpose of these clinics is to enhance the recognition of serious life-threatening and neurological injuries, the amendment could be considered to align with the original "intent of the law."
- Work with the combative sports industry, particularly boxing, to identify ways to attract more "big-draw" venues to California.

COMMISSION'S RESPONSE

The commission indicated it plans to comply with the audit recommendations. For the commission's full response, refer to Attachment I.

OTHER PERTINENT INFORMATION

No. 1 ***Selected Financial and Statistical data from the commission's draft August 2003 Report to the Joint Legislative Sunset Review Committee was inaccurately reported or unsupported.***

As part of our audit, we verified the reasonableness of selected fiscal year 2002-03 statistical and financial data from the commission's draft August 2003 JLSRC Report. We judgmentally selected the data and traced the selected information to underlying documentation.

Financial Data	Reported Amount	Audited Amount	Variance	Notes
Revenues				
Gate Tax	$580,616	$571,076	$9,540	(a)
Licensing Fees	181,047	173,650	7,397	(a)
Fines	36,523	30,866	5,657	(a)
Neuro Fund	75,933	66,134	9,799	(a)
Pension Fund	96,833	99,439	(2,606)	(a)
Expenditures				
Support Fund	684,060	682,887	1,173	(a)
Neuro Fund	101,344	69,823	31,521	(a)
Pension Fund	104,589	78,601	25,988	(a)
Statistical Data				
Licensing				
Applications Received	2,764	Unsupported		(b)
Licenses Issued	2,465	Unsupported		(b)
Neuro Exams	549	Unsupported		(c)
Processing Times (Days)	5-30	Materially Correct		
Enforcement				
Complaints Received	182	Unsupported		(d)
Complaints Closed	117	Unsupported		(d)
Complaint Processing (Days)	30-90	Unsupported		(d)
Fines Issued	30	122	(92)	(e)
Boxers Retired	16	Unsupported		(f)
Medical Suspensions	300	Unsupported		(f)

Notes:

(a) The commission did not use end-of-year financial information when preparing its draft report. The commission stated the end-of-year financial reports were unavailable at the time the report was completed. We obtained the correct CALSTARS reports and identified the variances.

(b) The commission indicated the figures reported were a best estimate based on information from two AthCom management reports. Since the commission did not retain these reports, we requested they be recreated. The new reports for the same information and time period generated different figures. Therefore, we determined the information contained in these reports might be unreliable. Without reliable information, we concluded the reported figures are unsupported.

(c) We noted the commission incorrectly included kickboxer licenses in its reported 549 exams. Kickboxers are not required to receive neurological exams prior to licensure. As a result, the reported figure is overstated and unsupported.

(d) The reported figures for complaints received, complaints closed and complaint processing days were estimates and not supported by accurate information. As noted in Finding 5, the commission does not track all of its complaint information.

(e) The commission indicated the figure reported was a best estimate since the end-of-year information was not available when it prepared the sunset report. We obtained a copy of the AthCom Report of Collections for fiscal year 2002/03 dated June 20, 2003. This report detailed 122 fines issued.

(f) To obtain the medical suspensions information detailed in the report, commission staff reviewed the files for all events held in fiscal year 2002-03 and hand counted the Notice of Suspension forms. To obtain the "Boxers Retired" information, staff reviewed all correspondence issued during fiscal year 2002-03 and counted the letters in which a boxer was advised that he/she was being retired for "lack of ability." However, staff could not provide us the documents detailing the results of their hand counts. Absent this source data, we concluded the reported figures were unsupported.

ATTACHMENT I

Commission's Response to the Draft Report

'ND CONSUMER SERVICES AGENCY — Gray Davis, Governor

CALIFORNIA STATE ATHLETIC COMMISSION

State of California Department of Consumer Affairs

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November 4, 2003

Steve Castillo, Chief
Internal Audit Office
Department of Consumer Affairs
400 R Street, Suite 2000
Sacramento, CA 95814

Dear Mr. Castillo:

The Athletic Commission is in receipt of the Department's Operational Audit #2002-107 and I would like to take the opportunity to respond to your findings and recommendations.

Finding #1

The Commission lacks a sound strategic planning process necessary for measuring the effectiveness of its operations.

Recommendations:

Given the recent budget cuts, we believe it is important the Commission revisit its strategic goals in relation to available resources. We recommend the Commission:

- Work with the department's E-Government and Special Programs Division to revise its Plan and, once finalized, the Commissioners should approve it; and
- Adopt a monitoring process to assess its success in achieving Plan objectives and updating the Plan, accordingly.

Proposed Corrective Action:

Commission staff will consult with the Department's E-Government and Special Programs Division to revise and finalize the Plan, I should note that the previous Plan was prepared by a paid consultant whereas staff then, and now, do not have the necessary expertise to complete such a project.

Finding #2

The Commission has a process in place to regulate professional boxing events, but

needs to do more to improve many aspects of its operations.

Recommendations:

To ensure the Commission enforces the applicable laws and regulations governing professional boxing events, we recommend the Commission:

- Provide adequate training to its inspectors to ensure they understand their regulatory responsibilities;
- Utilize electronic spreadsheets that include predefined calculations to more accurately determine the amounts due. In addition, the spreadsheets should provide a mechanism to reconcile the Show Payment Balance Sheet to the Box Office Report and provide a mechanism to reconcile the amounts collected for each boxing event to the actual payments made by the promoters;
- Take steps to ensure the promoters pay all applicable payments within 72 hours after the events; and
- Implement a quality control process to ensure all official documentation is appropriately completed and maintained in event files. In addition, a formal process for communicating suspensions and retaining confirmation of the suspension notifications should be established.

Proposed Corrective Action:

Commission staff will comply with your recommendations; however, I would like to respond to some of the findings which were cited in the audit.

Incorrect calculations and inadequate accounting practices are contributing to inefficient operations.

A

Inspectors generally calculate payment due the Commission correctly. As a safeguard, before a packet is mailed to Sacramento, the Chief Inspector audits the Box Office Inspector's Report to ensure that payments were collected properly. All packets should be audited to make sure proper accounting was used. We propose that a line be added to Box Office Inspector's report under the Box Office Inspector's signature: Audited by: _____, with the appropriate supervisor's signature.

It is the mission of this Commission to ensure all fighters are paid correctly. The Commission's practice is to list the boxer's purse and deductions listed on the contract plus fines and other deductions due the Commission on the Professional Boxing Payoff Sheet. Promoters generally have a ledger on each purse check listing all deductions. There are occasions when the Net Pay amount on the Professional Boxing Payoff Sheet does not agree with the check given to the Commission to be forwarded to the fighter after his bout. Examples, could be State or Federal Taxes, sanctioning fees or amounts owed by the boxer to the promoter. Our policy is to reconcile the Net Pay amounts from the Professional Boxing Payoff Sheet with the checks received from the promoter before the first bout of the Boxing Show enters the ring. If there are discrepancies, we present the check to the promoter for explanation. If the boxer agrees with the check as presented, we require the boxer to sign on the Professional Boxing Payoff Sheet to acknowledge correct payment receipt. If the boxer disagrees and the deductions amounts are not listed on the contract it is our responsibility to "go to bat" for him or

her. Without approval of the boxer, the only deductions authorized are those listed on the contract and State mandated deductions. This accounting practice ensures that the boxer receives monies that are due to him or her. The purpose of the Boxer-Promoter Contract and the Professional Boxing Payoff Sheet signed by the fighter which are audited pre-fight by the witnessing inspector, is to require that the promoter abide by the contract terms. B

The Commission is not maximizing its collection of revenues available under the law.

It is incorrect that we are not collecting all available revenues. If an inspector based his complimentary ticket count on issued rather than used tickets he would be incorrect. Business and Professions Code 18824 states "No fee is due in the case of a person ADMITTED free of charge". Further, CCR 261 states "the promoter shall retain a clipped end of each complimentary ticket in the box office". Clearly, the calculation for pension and neurological charges is to be based on attendance, not tickets issued. C

The fee for complimentary tickets exceeding 25% of the total number of spectators at a boxing event was dropped when the Commission began to charge a pension and neurological fee for complimentary tickets. The fee noted in 18824 is no longer applicable. Because there is no longer a 25% threshold, there is no requirement to perform an additional calculation as suggested in Finding 2. D

The auditors were informed incorrectly that for private shows the Commission does not collect the State tax and neurological and pension assessments. It is our policy to collect the minimum $1000.00 State tax due for any show. In cases where a promoter receives a stipend from the organization holding a private show of more than $20,000, the promoter is taxed at a rate of 5% of that stipend. We also collect assessments of neurological and pension on all shows where we can verify the number of attendees. Exceptions are possible. For example, at the public show at The Del Mar Fair, the boxing show was an attraction event included with the price of Fair admission. A minimum tax was charged but not neurological and pension assessments. We also did not charge an assessment at The Playboy Mansion in Beverly Hills where the event was essentially a free party for the mansion's owner and his invited guests sponsored by ESPN in conjunction with their ESPY awards. In this case we did tax TV revenue, as it was ESPN who was essentially the Promoter of this event. We collect similar taxes and fees at private shows just as required for other events held in California, except for the kind of occasional exception noted above. Correct revenue collection, including collection of licensing fees is a priority for this Commission.

Working complimentary tickets as described in CCR 264 do not exist in practice at Boxing Shows. Instead, employees of management, media and security personnel are issued a pass/credential, which is also allowable in CCR 264. "No other person other than a representative of a Commission shall have the right of admission without a ticket for value, complimentary ticket or pass". Working complimentary tickets are NOT included in the number of complimentary tickets issued noted on the Box Office Report. Thus we see no reason to modify our practice of calculating assessments or requiring promoters to identify all working complimentary tickets as suggested in Finding 2. E

The Commission's cash handling procedures have improved, but more needs to be done.

The instance of improper handling of cash collected at a boxing event on June 21, 2003 was a completely isolated and unique incident. We agree that the promoter was responsible for paying the officials parking and not the Commission. In FACT as noted in the finding, the promoter paid for the officials parking at a subsequent event. The inspector used the cash to pay 12 under card officials $20 parking because the promoter did not have any additional checks on hand to pay the officials parking. I know of no other incident where cash was improperly handled. ALL cash received is noted as an itemized payment on a Show Payment Balance Sheet. The cash is noted on the Box Office Report, is given to the promoter who verifies the amount received, and writes one check for the amounts owed. Two inspectors independently arrive at the amount owed and cash received figures to prevent improper collection. We believe the Commission's cash handling procedures at boxing events is satisfactory with little improvement needed. F

Lack of standardization leads to inadequate documentation kept in the Commission's office files.

Files used at boxing events held in Southern California received from field inspectors are checked for completeness and audited at the Commission's office in Los Angeles by the Chief Inspector before the files are transferred to the Commission's Sacramento office. The documents are placed in a set order: Supervisor's Report, scorecards, Physician's Report, Suspension Notices, Box Office Inspectors Report, Professional Boxing Payoff Sheet, Inspector's Check-Off Sheet, and Bout Contracts to ensure all relevant documents are included in the file. We propose a check off sheet be developed listing all mandatory documents to be included in the front of the file to ensure that this audit was performed. G

Referring to suspension reports noted on page 16 of Finding 2, the physician does not prepare the Notice of Suspension for the boxer. Instead the physician notices an inspector of the suspension requirements. The inspector prepares the Notice of Suspension, which is given to the boxer for acknowledgement and signature. Discrepancies between the Physician's Report and the suspension notices are to be reconciled by the show inspector and Chief Inspector before the file is sent to Sacramento. The finding is not correct that the Physician's Report is the official document used to inform Fight Fax of boxers' suspensions. The official document sent to Fight Fax is the Supervisor's Report. Fight Fax is not notified with this document until discrepancies between the Physician's Report and Suspension Notices have been reconciled. Thus there is NOT incomplete information which may result in allowing a boxer who has been suspended in California to fight in another state. H

Regarding the suggestion that the Commission should keep fax confirmation reports of the information sent to Fight Fax, the facsimile machine used in Southern California does not print a confirmation notice after each completed fax. Rather, the machine issues a confirmation report after approximately 30 faxes, which is reviewed by the Chief Inspector for possible problems. Regarding the possibility that Fight Fax does not receive the mandated Commission reports, the Chief Inspector verifies with Fight Fax the number of professional boxing shows that occurred in California at the end of each calendar year. Fight Fax has always agreed with California on the number of shows held. Thus, Fight Fax must have been receiving the information required by law. I

Finding #3

The Commission's outdated information technology contributes to many of its inefficient operations.

Recommendations:

- Work with the department's OIS staff to determine whether it is capable of loading the AthCom licensing information on laptops prior to events;
- Continue with the development of the spreadsheets used to calculate Box Office Report Figures, and utilize them to account for and reconcile all the funds due at boxing events. In addition, develop more spreadsheets to reduce the duplication of information; and
- Work with the OIS staff to develop the queries and report formats necessary to extract data from AthCom.

Proposed Corrective Action:

The Commission completely agrees with the recommendations of the audit. We would actually prefer a totally new or updated system; however, this is fiscally out of the question. Being a General Fund agency, the Commission's budget has been reduced by 30% in the last two fiscal years with another possible reduction of 20% in the offing. Our resources for discretionary spending (ie. an updated system) are nil.

I would like to comment on one specific finding of "Many field operations could be improved by taking advantage of modern technology":

The inspector in the field relies on a labor-intensive process. The nature of the sport, with significant changes of participants often occurring on the day of the fight, or at the weigh-in, would render pre-printed forms ineffective. In addition, the inspector has several hours between the weigh-in and event to manually prepare the forms. Thus, this process does not burden the Commission with increased costs. Hand-held calculators are used in the field. The supervising inspector verifies amounts before the file is mailed to Sacramento. Our audits have determined that the amount from the hand-held calculation is accurate.

J

The Commission experimented with down loaded information on a laptop to be used at weigh-ins several years ago. We found that the use of this process increased the duration of the weigh-in. A more efficient process is to use printed licensing reports, then investigate any disputes with a quick call to Sacramento after the weigh-in. As most disputes involve the licensing of seconds and the boxer's current information is emailed to the supervising inspector, we do not believe weigh-ins should be delayed when resolving these discrepancies. The issue regarding pension enrollment forms for boxers can be easily resolved by adding an additional column on the weigh-in licensing information sheet emailed to the inspector.

Finding #4

The Commission's licensing process could benefit from several improvements.

Recommendations:

To help ensure the Commission enforces the applicable laws and regulations governing its licensing activities, we recommend the following:

- Establish written procedures to guide staff with licensing activities;
- Develop checklists for applicant files to ensure all official documentation is properly completed and retained in the files and establish quality control reviews;
- Explore funding options to ensure referee clinics and competency exams are being administered; and
- Work with the DOJ to determine an "acceptable" time to submit No Longer Interested in Subsequent Arrest Notification Forms.

Proposed Corrective Action:

The Commission will implement the recommendations contained in the audit. It should be noted that the Commission is in the process of repealing the regulations regarding competency testing. I also have some general comments to offer regarding the findings:

No fighter will compete in California without a Federal ID card. Contrary to the finding of lack of documentation, the Federal ID number of every fighter who competes in California is listed on the Supervisor's Report. In addition, the filing of an application does not require a Federal ID. A fighter may be licensed without an ID, but will not be allowed to compete without an ID. **K**

It is a priority of this Commission that a boxer has the ability to compete. The Chief Inspector keeps records and information on all fighters scheduled to fight in California on index cards. Each fighter is graded A to E, depending on his ability. If there is question regarding a boxer's ability or if he is a boxer with limited experience or over the age of 36, the boxer may be subject to a gymnasium sparring session. In addition, before a bout is approved, the Chief Inspector sends a proposed fight card to the Executive Officer. The Executive Officer and Chief Inspector then make a determination whether to give the fighter in question an opportunity to compete. The Executive Officer has issued a directive to promoters that boxers residing outside of California must provide the Commission with a Fight Fax report. Contrary to the applicable CCR, a fighter making his pro debut can not provide the Commission a listing of his last 6 bouts. Fight Fax does not keep records on amateur boxers. The Commission verifies this information during interviews during the application process or during Federal ID application. Bout history of boxers based in California is documented in the AthCom system. **L**

Pension enrollment forms should be provided to first time licensees. Inspectors will submit the proper pension forms if the lack of such forms in noted on the Weigh-In Status Report.

In regard to the "inadequate documentation deficiencies involved boxers who had been licensed by inspectors", I offer the following:

to cover expenses associated with the mandated referee and physician training clinics. Given that a key purpose of these clinics is to enhance the recognition of serious life-threatening and neurological injuries, the amendment could be considered to align with the original "intent of the law".

- Work with the combative sports industry, particularly boxing, to identify ways to attract more "big-draw" venues to California.

Proposed Corrective Action:

The Commission will comply with the recommendations for Finding #6. In order to secure additional revenue the Commission is again attempting to regulate mixed martial arts which is a full-contact combative sport. The Commission is in favor of pursuing special fund status as our revenues do exceed the appropriated expenditures. Assembly Bill 1458 (Chapter 515) becomes effective January 1, 2004. This bill requires the Commission to seek input from stakeholders relative to attracting "big-draw" venues to California.

Sincerely,

Rob Lynch
Executive Officer

ATTACHMENT II

Auditor's Comments on the Athletic Commission's Response

Auditor's Comments on the Athletic Commission's Response

To provide our perspective to several of the commission's responses to our audit findings, we are commenting on these issues below. The letters to the left correspond with the letters placed in the commission's response.

A While the chief inspector may audit the packets to ensure payments were collected properly, our compliance test results conclude otherwise. We only included a few examples in the report of the many exceptions we noted during our audit. The number of calculation errors noted during the audit provides sufficient evidence problems exist in the calculations.

B We agree the commission's inspectors generally ensure boxers are paid what is due to them. However, the evidence obtained during the audit for the boxer cited in the report shows the commission authorized additional deductions not included in the contract. As stated in the audit report, the boxer did not sign the payoff sheet so it is unclear whether the boxer agreed with the net payout amount. Given the commission's response, the boxer should have received $26,625 instead of $17,500.

C The commission is mistaken when it contends the pension and neurological charges are based on attendance, not tickets issued. The commission misinterprets BPC section 18824 in that this section describes the method used to calculate the fee of 5 percent (gate tax) for each contest, not the methods for calculating pension and neurological assessments. While the BPC does not specifically address pension and neurological assessment calculations, CCR, Title 4, Division 2, Section 403(a) is clear on how pension assessments should be calculated. Therefore, it is still our opinion the commission is not properly collecting all available revenues.

D We disagree with the commission's assertion that the fee for complimentary tickets exceeding 25 percent of the total number of spectators is no longer applicable. The commission never provided us documentation during the audit to suggest this calculation was dropped or no longer applicable. Further, until legislation is enacted to amend this statute, the commission is required to perform this calculation and collect the applicable fees.

E The commission incorrectly interpreted the applicability of working complimentary tickets. It is our understanding that "passes/credentials" issued to management employees, media and security personnel are considered working complimentary tickets as defined by CCR, Title 4, Division 2, Section 264. Therefore, as stated in the audit report, the commission should calculate the pension assessment on every ticket, excluding working complimentary tickets, as required by regulation.

Although the weigh-in activity appears quite chaotic, it is actually a controlled process. We have complete confidence in the inspector's assigned to weigh-in's to complete their assigned tasks without the expertise of the Chief Inspector. Training is a must. It is encouraged and useful. However, the inspector's assigned by the Commission are very experienced and with many years of service. Inspectors verify that a boxers licensing requirements are complete by using the checklist on the application form and the Weigh-In Status Report. The audit suggests an inspector's procedural manual. In fact, the Commission does have such a manual "California State Inspectors Duty Statement dated November 4, 2000" which was and is distributed at inspector clinics.

M

Finding #5

The Commission needs to improve its complaint handling processes.

Recommendations:

To help ensure the Commission enforces the applicable laws and regulations governing its complaint handling activities, we recommend the following:

- Establish written procedures to guide staff to consistently follow proper procedures;
- Effectively monitor all complaints received to ensure proper documentation, accurate reporting, and timely resolution; and
- Implement quality control reviews to ensure complaints are handled properly and consistently.

Proposed Corrective Action:

While it may not be documentable, the Commission does respond to and resolve complaints in a timely manner. Effective immediately all complaints received, regardless of the nature, will be forwarded to one staff person who has began a verifiable complaint tracking system.

N

Finding #6

The Commission needs to explore ways to improve funding for its regulatory activities.

Recommendations:

We recommend the Commission:

- Continue with its BCP to convert to a special fund for its support activities;

- Work with the department's Legislative and Regulatory Review Division regarding the possibility of extending the sunset date of December 31, 2005, included in BCP section 18824;
- Seek legal opinion regarding the possibility of requiring promoters to pay their fair share of taxes and assessments for event held on tribal lands.
- Work with the department's Legislative and Regulatory Review Division on amending Business and Professions Code Section 18711 to enable the Neuro Fund to be used

F

Given the inadequate cash handling procedures identified in the past, commission inspectors could only benefit from training on proper cash handling procedures. We believe if the commission audited the Box Office Report as stated in its response, then the inappropriate handling of the $240 should have been detected. In addition, it was immediately apparent to us that there was a problem when we noted the cash collected and deposited from the event did not reconcile. We believe this issue should have been discovered by commission staff and addressed immediately.

G

We are unable to attest to the commission's assertion that files are checked for completeness at the Los Angeles office. However, we believe our audit results are accurate given the results of our compliance testing.

H

We have revised the final report to show inspectors, instead of doctors, complete the suspension notices. The final report will also correct the use of the Supervisor's Report instead of the Physician's Report.

I

We confirmed again with the assistant chief inspector that there are many occasions when Fight Fax states it did not receive suspension information from the commission. By keeping the fax confirmations, the commission improves its process to confirm compliance with the law.

J

The commission's assertion that the inspectors' calculations are accurate is in direct contrast to our audit results showing inaccurate calculations. If used properly, a spreadsheet will eliminate many inaccurate calculations. Furthermore, the spreadsheet will improve the commission's ability to perform all the required calculations more efficiently.

K

The draft audit report did not state boxers are competing without a FIC or the filing of a boxer license application requires a FIC. The report addresses the missing FIC identifier on several applications. During the audit, we did not verify if the FIC was listed on the Supervisor's Report. The audit recommendation is the commission needs to improve its review of license applications to ensure complete documentation.

L

The draft audit report did not state the commission is failing to assess boxers' abilities to compete. It stated improvements are needed in the documentation verifying the ability criteria was satisfied. The commission asserts in its response that all out-of-state boxers must provide a Fight Fax report. However, none of the out-of-state boxer license applicant files we reviewed contained this report. Additionally, no files tested contained information indicating a boxer was rated in a sparring session. In fact, the only bout record documentation we noted in the files was the statistics the boxer provided on his/her application. When asked whether the information was verified, commission staff indicated in some cases Fight Fax is consulted, but the reports are not retained. We believe these reports should be retained in the boxer's license applicant files.

The commission asserts it is impossible for a first-time applicant for licensure as a professional boxer to comply with CCR 283, which states the applicant must provide a verifiable record of his/her last six bouts. If this is the case, then the commission should take steps to amend the regulations.

M During the audit, commission personnel informed us that inadequate staffing at boxing events made it difficult to effectively oversee the events. The exception rates we found during testing of the boxer applicant files confirmed this. We recognize budget restraints have prevented the commission from staffing the events with the optimal number of inspectors or providing the inspectors with ongoing training. As discussed in Finding 6 of the report, converting to a special fund program should enable the commission to maintain a funding source to effectively perform its regulatory activities.

The commission maintains its "California State Inspectors Duty Statement" manual is a procedural reference guide. While this manual details an inspector's responsibilities, it should be expanded to detail the specific procedures for implementing these responsibilities.

N The lack of proper documentation precludes us from verifying whether the commission responds to and resolves complaints in a timely manner. The commission should also consider establishing written procedures for handling complaints.

STATE ATHLETIC COMMISSION

(Report Number 2004-134, July 2005)

The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review the State Athletic Commission's (commission) pension plan operations. Specifically, the audit committee was interested in the condition of the current plan, the best course of action to ensure its long-term viability, how much is being spent on administrative expenses, and whether the statutory requirements for pension contributions and benefit distributions are being met.

The following table summarizes the commission's progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response and the publication of our 2008 Accountability Act report, the department had not fully implemented either of the recommendations. Furthermore, based on the department's most recent response, both recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2007-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	2	2	2

Below are the recommendations that we determined were not fully implemented followed by the department's most recent response for each.

Recommendation #1:

a. If the Legislature decides to continue the boxers' pension plan, the commission should consider eliminating the break in service requirement and/or reducing from four to three the number of calendar years that a boxer must fight if it believes the current vesting criteria is excluding professional boxers for which the pension plan was intended.

b. The commission should mail an annual pension statement to all vested boxers to increase the likelihood that vested boxers are locatable for benefit distribution after they turn age 55.

Bureau's assessment of status: **Not fully implemented**

Commission's Response:

RESPONSE TO PART A:

1) No.

4) Yes.

5) The Commission will begin the regulatory process at the Commission's February 10, 2009 meeting by reviewing proposed regulatory language for changing the vesting requirement from four years to three years (Rule 405). At this time, the pension eligibility age is already in the regulatory process for lowering the eligible age from 55 to 50 (Rule 406). The publication of the "Notice of Regulatory Action" is scheduled for December 19, 2008. It is anticipated that both regulatory changes will be implemented by December 31, 2009.

RESPONSE TO PART B:

1) No.

4) Yes.

5) The office staff of the Commission has completed mailing the annual pension statements for the year 2005. The 2006 pension statements should be arriving during the week of December 8, 2008 through December 12, 2008. It is anticipated that mailing of the 2006 pension statements will be completed by December 31, 2008. Subsequent mailings will occur for the 2007 and 2008 pension statements with an approximate date of completion of March 31, 2009.

Recommendation #2:

a. To maximize pension fund assets, the commission should raise the ticket assessment to meet targeted pension contributions as required by law and promptly remit pension contributions from the Department of Consumer Affairs' (Consumer Affairs) bank account to the boxers' pension fund.

b. To ensure receipts are deposited in a timely manner, the commission should implement the corrective action proposed by the acting executive officer to Consumer Affairs related to ensuring timely deposit of checks.

c. The commission should require promoters to remit pension fund contributions on checks separate from other boxing show fees so that deposits of checks and subsequent remittances to the boxers' pension fund are not delayed.

d. To ensure boxers' information concerning eligibility status and pension account balances are accurate, the commission should retain all official documents from each boxing contest.

e. The commission should immediately work with the pension plan administrator to correct errors related to boxers' eligibility status and account balances.

f. The commission should periodically review a sample of newly vested and pending boxers, and verify their eligibility status and pension account balances.

Bureau's assessment of status: **Not fully implemented**

Commission's Response:

RESPONSE TO PART A:

1. No.

4. No.

6. With the assistance of the Pension Attorney under contract to the Commission, we are currently attempting to ascertain the amount of the funding floor as set by statute in 1995. This item is set for discussion at the Commission's special teleconference set for December 15, 2008. It is anticipated that the item will carry over to the full Commission

meeting scheduled for February 10, 2009. The Commission will either seek to implement a regulation to set an updated amount and source of funding or will seek legislation to repeal the funding floor provision in Section 18881(b).

RESPONSE TO PART B:

1. Yes.

2. September 1, 2006.

3. Implementation was successful due to office staff receiving formalized training from the Department of Consumer Affairs in relation to cashiering functions. Use of the Box Office Inspector's Report highlighting the breakdown of fees allows staff to follow manual cashiering procedures set forth by the Department of Consumer Affairs to ensure that all receipts are deposited in a uniform manner.

RESPONSE TO PART C:

1. No.

4. No.

6. The actions taken to resolve the Commission's cashiering problems have resulted in all deposits being made from one check issued to the Commission by the promoter. The Box Office Inspector's Report lists the individual breakdown of fees. It is the individual pension breakdown that is being used to move funds into the appropriate account for the Professional Boxers' Pension Plan. However, Commission staff is willing to explore the collection of funds in an alternate manner.

RESPONSE TO PART D:

1. Yes.

2. January 1, 2007.

3. Each event packet is retained in the office of the California State Athletic Commission. For events prior to 2007, the original event information is sent to the State Records Center with photocopies of the information retained in files in the office for the Professional Boxers' Pension Plan.

RESPONSE TO PART E:

1. Yes.

2. November 21, 2008.

3. Continuing efforts are being made between the staff of the Commission and the Pension Benefits Administrator to correct errors related to eligibility and account balances. It is expected that work of this nature will continue on an ongoing basis until distributions begin for vested boxers. A review of 2007 data is expected to take place beginning Friday, December 12, 2008. Subsequently, it is anticipated the same review will occur for 2008 data during the week of January 5, 2009. As of today, the Commission's collection of data for rounds and purse information is in "real time" for the first time in nearly four years.

RESPONSE TO PART F:

1. No.

4. Yes.

5. Reviews of this nature are slated to become a standard procedure for maintaining the Professional Boxers' Pension Plan. It is anticipated that all previous years data will be updated with minimal "back work" and "revisions" by March 31, 2009.

STATE AND CONSUMER SERVICES

STATE ATHLETIC COMMISSION

(Report Number 2004-134, July 2005)

The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the State Athletic Commission's (commission) pension plan operations. Specifically, the audit committee was interested in the condition of the current plan, the best course of action to ensure its long-term viability, how much is being spent on administrative expenses, and whether the statutory requirements for pension contributions and benefit distributions are being met.

The following table summarizes the auditee's progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of the auditee's one-year response and most recent response, certain aspects of both recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2008-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	2	2	2

Below are the recommendations that we determined were and were not fully implemented followed by the auditee's most recent response for each.

Recommendation #1:

a. If the Legislature decides to continue the boxers' pension plan, the commission should consider eliminating the break in service requirement and/or reducing from four to three the number of calendar years that a boxer must fight if it believes the current vesting criteria is excluding professional boxers for which the pension plan was intended.

b. The commission should mail an annual pension statement to all vested boxers to increase the likelihood that vested boxers are locatable for benefit distribution after they turn age 55.

Bureau's assessment of status: **Not fully implemented for recommendation (a) and fully implemented for recommendation (b)**

Auditee's Response to Recommendation (a):

The Commission began the regulatory process at the Commission's February 10, 2009 meeting by reviewing proposed regulatory language for changing the vesting requirement from four years to three year (Rule 405). It has not moved past the initial stages of review. At this time, the pension eligibility age has been reduced from 55 to 50 (Rule 406). Retired athletes age 50 and above are scheduled to receive benefit payments beginning January 1, 2010.

Estimated date of completion: July 2010

Auditee's Response to Recommendation (b):

The Commission has completed mailing the annual pension statements for the years 2005, 2006, 2007, and 2008. The 2009 pension statements should be arriving January 31, 2010. Mailing of statements is caught up and current.

Recommendation #2:

a. To maximize pension fund assets, the commission should raise the ticket assessment to meet targeted pension contributions as required by law and promptly remit pension contributions from the Department of Consumer Affairs' (Consumer Affairs) bank account to the boxers' pension fund.

b. The commission should require promoters to remit pension fund contributions on checks separate from other boxing show fees so that deposits of checks and subsequent remittances to the boxers' pension fund are not delayed.

c. The commission should immediately work with the pension plan administrator to correct errors related to boxers' eligibility status and account balances.

d. The commission should periodically review a sample of newly vested and pending boxers, and verify their eligibility status and pension account balances.

Bureau's assessment of status: **Not fully implemented for recommendations (a) and (b), and fully implemented for recommendations (c) and (d)**

Auditee's Response to Recommendation (a):

The proposal to raise the ticker assessment is currently in the regulatory process where the per ticket assessment is to be increased from $0.88 per ticket to $1.36 per ticket. A regulatory hearing is scheduled on this matter for the December 21, 2009 Commission meeting in Los Angeles.

Estimated date of completion: July 2010

Auditee's Response to Recommendation (b):

The actions taken to resolve the Commission's cashiering problems have been completed and resulted in all deposits being made from one check issued to the Commission by the promoter. The Box Office Inspector's Report lists the individual breakdown of fees. It is the individual pension breakdown that is being used to move funds into the appropriate account for the Professional Boxers Pension Plan. However, Commission staff is willing to explore the collection of funds in an alternative manner.

Estimated date of completion: Unknown

Auditee's Response to Recommendation (c):

Continuing efforts are being made between the staff of the Commission and the Pension Benefits Administrator to correct errors related to eligibility and account balances on a monthly basis in order to maintain consistency. For the first time in over four years, the Professional Boxer's Pension Plan is free of error. Again, it is a monthly process that must continue to be closely monitored by staff.

Auditee's Response to Recommendation (d):

Reviews of this nature are now standard procedure for maintaining the Professional Boxer's Pension Plan. As stated in the response to Recommendation #5, a review of these items must continue on a monthly basis and be closely monitored by staff.

Agenda Item 8

STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS

California State Athletic Commission
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September 01, 2009

Jeremy Lappen
JT Steele
California Amateur Mixed Martial Arts Organization, Inc.
12121 Wilshire Blvd., Suite 800
Los Angeles, CA 90025

Dear Mr. Lappen and Mr. Steele,

As you know, the State Athletic Commission voted unanimously to delegate its regulatory authority over Amateur Mixed Martial Arts and Pankration in the State of California to your organization on Monday August 24, 2009 at its regular meeting. Section 18640 gives the State Athletic Commission plenary authority over all full-contact combative sports in California.

This letter will serve as an official delegation of authority from the State Athletic Commission to your organization pursuant to Business and Professions Code section 18646. Section 18646 imposes a number of requirements that must be fulfilled in order to retain the delegation of authority and the Commission trusts that you will strive to meet those requirements.

Additionally, for your first year of operation the Commission looks forward to at least quarterly reports as to how the delegation is proceeding.

If you have any further questions, please do not hesitate to contact me at (916) 263-2195.

Respectfully,

Dave Thornton
Interim Executive Officer
California State Athletic Commission

MEMORANDUM

To: COMMISSION MEMBERS

From: AM. MMA COMMITTEE

Date: AUGUST 21, 2009

Re: **DELEGATION OF AUTHORITY PURSUANT TO B & P SECTION 18646**

After hearing presentations from the IKF, KICK, and CAMO, at the committee's last meeting on August 20, 2009, the committee recommends that the Commission delegate authority to regulate Amateur Mixed Martial Arts, including Pankration to CAMO. The committee believes that CAMO is the organization most well suited to oversee the sport of Amateur Mixed Martial Arts, including Pankration, in California. The directors of CAMO represent a diverse group of stakeholders, are a non-profit as required by Business and Professions Code section 18646, have extensive experience in the field of MMA, are particularly concerned with the health and safety of the fighters, have created an extensive set of rules and structure which should ensure continuity and consistency of operations and have expressed a willingness and desire to work in partnership with the Commission.

This delegation of authority should occur only if the directors of CAMO, Jeremy Lappen and J.T. Steele, agree to the following conditions:

- CAMO must institute the use of two divisions for Pankration (under 18 AMMA) and for Amateur MMA. The divisions should consist of a novice division where rounds last for two minutes and of an open division where rounds last for three minutes. A fighter can move from the novice to the open class after the successful completion of 10 fights.
- All fighters under the age of 18 must use headgear and the use of rear-naked chokes and guillotines are banned for youth fighters.
- All fighters must use 8 oz. gloves.
- All fighters must wear a rash guard with an easily CAMO amateur logo to prevent confusion for consumers.
- All advertisements for amateur shows must be clearly marked as amateur events.
- All non-athlete members, i.e. coaches, officials, board members, and employees must undergo the LiveScan fingerprint process.
- Professional MMA promoters may not be involved in the operation of CAMO, even as advisory board members.
- Mr. Lappen and Mr. Steele must agree to quarterly reports to the Commission during the first year of the non-profit's operation and must agree to an initial meeting with Commission staff to refine the rules under which CAMO will operate as minor rules changes, in addition to those outlined above, are necessary for clarity.

Agenda Item 9

California State Athletic Commission

Strategic Plan

March 2005

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PREFACE

The California State Athletic Commission was created by voter initiative in 1924, when the electorate realized the importance of governing boxing. Their vote was an endorsement of the public need to regulate the sport of boxing for the protection and safety of professional boxers.

The Commission has taken its regulatory responsibilities with the highest levels of care and attentiveness to boxing and the public's interest in the sport. The Commission's recent accomplishments include:

- Attracting major boxing events to California
- In 2004, broke a record by supervising 126 professional boxing shows—more than twice as many as any other commission in the United States; also supervised 36 amateur boxing and kickboxing shows
- Obtained legislation that made explicit the Commission's authority to regulate mixed martial arts
- Undertook the regulation of mixed martial arts
- Supervised two labor intensive network television boxing reality shows
- Obtained special fund status

This Strategic Business Plan is part of the Commission's continuous efforts to serve California citizens through effective regulation over these sports of boxing, kickboxing and martial arts.

The plan was prepared with approval by:

Christopher Mears
Chairman

John Frierson
Vice-Chairman

INTRODUCTION

The California State Athletic Commission regulates the sports of boxing, kickboxing and full contact martial arts throughout the state. It licenses the athletes who compete in those sports and other participants, such as managers, officials, and promoters. The Commission also exercises administrative control over all aspects of bouts and shows for the sports.

The Commission is comprised of seven members who represent the interests of both professional and amateur sports participants and consumers. Five of the members are appointed by the Governor, one is appointed by the Senate Rules Committee and one is appointed by the Speaker of the Assembly. All of the Commissioners are business professionals. None of the Commissioners are licensed managers, promoters or judges.

The Commission is a member of the Association of Boxing Commissions (ABC), a national organization that consists of approximately 40 state boxing regulatory agencies. Through this affiliation, the Commission helps to promote consistency in the laws of different states that affect the sport of boxing. The Commission has focused especially upon those laws that govern record keeping practices, safety precautions and standardized medical requirements.

The Commission generally holds meetings every six to eight weeks. These meetings are open to the public and they are used to conduct regular business, discuss issues and developments in the regulated industries, and to exchange information with industry groups and interested parties.

The Commission periodically holds closed session meetings on an as-needed basis to discuss issues such as litigation and personnel.

Most of the Commissions' work is performed by committees comprised of commissioners. The Commission has six standing committees and each of them is chartered to focus on specific issues. The committee members conduct research, collect information and make recommendations to the Commission to save time and to expedite the decision making process. The six committees are as follows:

Amateur Boxing Committee
Pension Plan Committee
Medical and Safety Standards Advisory Committee
Arbitration Committee
Officials' Committee
Legislative Committee

HISTORY

The Commission was created in 1924 by the passage of a voter initiative in California's general election. The initiative arose from the general public's concern about the sport of boxing. The sport was unregulated at that time and sources of that concern were twofold:

1. The number of boxer injuries and deaths from competition in the ring, and

2. An increasing involvement by unethical individuals in promoting and conducting boxing shows.

The Commission was charged with the responsibility of regulating the sport of boxing throughout the state. Its purpose was to protect the health and safety of athletes who compete in the sport and to ensure that bouts were fair and competitive.

During the time since its inception, the purpose of the Commission has remained constant. However, the scope of the Commission's administrative duties has increased pursuant to the changes in the governing statutes passed by the Legislature.

- The Professional Boxers' Pension Plan was created in 1981. It provides a measure of retirement benefits to professional boxers who vest in the Plan. Promoters contribute to the Plan via a per-ticket assessment. The Plan is a defined benefit plan which also features vocational retraining which is administered by the Commission.

- The Commission was charged with the responsibility of regulating the sport of kickboxing and full contact martial arts in 1985, including the bouts and participants. Regulatory responsibilities were extended the following year to include amateur participants and competitions.

- A neurological examination became a licensing requirement for professional boxers in 1986. The Legislature created this requirement in order to address an increasing number of neurological deaths and injuries of boxers from competition in the ring.

- HIV/HBV testing became a condition of licensure for professional boxers and martial arts fighters in 1997 and HEP C testing in 2003. This testing is required by statute to address the health and safety of licensees, staff and consumers.

- In 1997, pursuant to the Federal Professional Boxing Safety Act, the Commission implemented an identification card program for professional boxers. This was enacted as a safety measure because of the frequent movement between states by boxers.

- Effective January 1, 2005, the Legislature made explicit the Commission's jurisdiction over mixed martial arts.

Today, the Commission regulates the sports of boxing, kickboxing and full contact martial arts at both the amateur and professional levels throughout the state and will soon begin regulating mixed martial arts. It licenses the athletes and other participants and maintains full control over the administration of shows and bouts. As the industry of sports entertainment continues to evolve, the Commission conducts on-going evaluations to assess the need for further changes to its regulations and governing statutes.

STAKEHOLDERS

The Commission interacts continuously with a wide variety of stakeholders who have interests closely connected to the sport of boxing, kickboxing and martial arts. Those stakeholders begin with the athletes, themselves, both amateur and professional. Their safety and protection was central to the Commission's creation.

Stakeholders also include the various license groups regulated by the Commission. Licensees include the athletes' managers and seconds; people who produce the shows, bouts and other competitive events (e.g., matchmakers, promoters) and officials of the bouts (e.g., judges, referees, inspectors, timekeepers).

Several government organizations also comprise the Commission's list of key stakeholders. These include the Governor, the Legislature and the Department of Consumer Affairs as well as other agencies with which the Commission may interact during the course of its regulatory activities. Government organizations also include agencies in other states that regulate the sports of boxing, kickboxing and martial arts.

The consumers of sporting events also are among the Commission's key stakeholders. These consumers may be people who attend events either on a regular or occasional basis.

Finally, the list of the Commission's stakeholders includes the taxpayers and the general public. Serving the interests of the general California public has been, and continues to be, the ultimate goal of the Commission and all of its work. The Commission weighs all of its decisions and activities against the potential impact they may have on the general public beyond any impact on the sports, sport participants or licensee interests under its regulation.

The stakeholders are as follows:

Governor
Legislature
Consumers
Gymnasiums
Vendors
Event Employees
All Licensees
Athletes
Taxpayers
Other State Agencies
Event Promoters
Equipment Suppliers
Communities
News Media
General Public
Department of Consumer Affairs
Amateur Boxing Organizations
Professional Sanctioning Bodies
Commissions of Other States
Officials

STRATEGIC PLANNING PROCESS

The Commission met on four occasions for the purpose of developing and updating its Strategic Plan. Each of these meetings was announced in advance and was open to the public. The first planning meeting was held on March 17 and 18, 1994. During that

meeting, the Commission developed its first Strategic Plan and that work served as the basis for the Commission's subsequent planning efforts.

The Commission meets annually to update and extend its Strategic Plan. In these meetings, the Commission reviewed its progress on the original Plan, updated and extended the goals of the Plan and clarified the wording of its mission and vision.

To facilitate the original development of its Strategic Plan, the Commission obtained the services of an experienced outside consulting firm, The Resources Company.

The Commission then followed a nine-step sequence for strategic planning as outlined below:

- **Internal and External Assessment.** The Commission's staff assessed internal factors and provided them to the Commission on a continual basis by reports and correspondence. Externally, the Commission notified the industry of Commission meetings and sent them memos relating to a variety of Commission issues under considerations.

- **Update the Vision Statement.** The Commission re-evaluated its statement of vision in July of 2001. Changes were made to extend the statement's application of all licensees who are under the Commission's regulatory authority

- **Update the Mission Statement.** Changes were made to broaden the statement of mission in keeping with the Commission agenda. The statement now references the general sports environment and it includes a focus on the aspect of competition instead of entertainment.

- **Establish Specific Goals and Objectives.** Based on their review of external factors and internal capabilities, the Commissioners formulated a set of ambitious goals and objectives which defined its strategic priorities for the future.

- **Identify Performance Measures and Action Plans.** The Commission identified specific performance measures to help monitor the progress it makes on each of its major strategic goals. Special attention was devoted to measures which would access the Commission's effectiveness and impact in preference to measures of work load.

- **Validate Strategic Plan.** Extensive input was solicited and received from stakeholders in preparation for the Commission's meetings to deliberate its Strategic Plan. That input was given careful consideration in the analyses and discussions of the Commissioners. Additional collaboration with key stakeholders enabled the Commission to broaden the scope of the Plan.

- **Communicate Strategic Plan to Stakeholders.** The Commission disseminated copies of the Plan to its stakeholder groups for support of overall commitment.

- **Action Planning.** Specific action plans were developed for each of the major areas of the Commission's goals. Target dates were also established for those action plans.

- **Tracking and Monitoring.** Now that the Plan is finalized, the Commission and its staff implemented specific procedures and time frames for monitoring progress on the Plan's accomplishments. The Commission anticipates that it may need to make minor changes and modifications to the Plan on an as-needed basis as a result of developments in the business environment. To that end, the Commission's chairman and vice-chairman consulted on potential revisions to the Strategic Plan and their suggestions will be presented to the full Commission for action at the Commission's meeting on March 28, 2005. However, since the Commission has many new members and a new program (mixed martial arts) to implement, the Commission will engage in the complete strategic planning process to ensure that it will be basing its decisions and actions on current information about the state and needs of the industry.

MANDATES

The Commission has the following mandates that have been specified by the Legislature and the Commission's key stakeholders:

- Approve, manage and direct all professional and amateur boxing, kickboxing, and full contact martial arts shows or exhibits held in California.

- License designated occupational groups and approve physical sites where boxing and full contact martial arts activities occur.

- Conduct semi-annual clinics to ensure that inspectors, officials and ringside physicians possess the necessary knowledge, skills and abilities to perform their duties.

- Enforce all statutes and rules by means of fines and/or disciplinary actions.

- Determine the performance abilities of a licensee or applicant.

- Process complaints and conduct investigations related to occupations within the jurisdiction of the Commission.

- Ensure competitors meet the Commission's health and safety standards by passing physical, eye and neurological exams and blood testing.

- Create and enforce statutes and rules for boxing and full contact martial arts to ensure that shows are fair, well administered and ethical.

- Develop and administer financial protection programs for the competitors which includes the administration of the Professional Boxers' Pension Plan, the oversight of

5. Continue to ensure that all required examinations and blood test results have been completed prior to licensing a boxer.

Performance Measures

1. Evaluations submitted by clinic participants will assess whether the clinics provided participants with the type of information necessary to improve their performance.

2. A comparison of the types of injuries or neurological conditions found under the current neurological examination with those found under a revised examination will be one method of ascertaining whether the revised neurological examination captures the relevant information to assess a boxer's neurological condition when deciding whether to license the boxer.

3. The distribution of the professional boxer identification cards measured compliance with the Federal Professional Boxing Safety Act.

GOAL 3. EFFICIENCY

The Commission will:

1. Continue to streamline and improve its existing programs.

2. Improve its utilization of automation technology.

3. Increase staffing level to improve efficiency and thoroughness of work product.

4. Analyze and implement, as appropriate, changes recommended in October 2003 Audit Report.

5. Work with the Department of Consumer Affairs to upgrade the existing information technology (computer) system and allow it to utilize the Consumer Affairs System (CAS).

6. Ensure that all data is maintained in central files at the Commission's headquarters and, as appropriate, entered into the computer system.

Action Plans

1. Review information technology and upgrade its application. This action plan was implemented in 1997 and continues on an annual basis.

2. Seek additional staff to bring staffing level up to what it was 15 years ago—an executive officer, assistant executive officer, chief inspector, 2 assistant chief

inspectors, one associate governmental program analyst, 2 staff services analysts and 5 office technicians.

3. Initiate meetings with the appropriate personnel at Department of Consumer Affairs to discuss the Commission's information technology needs.

4. Develop a desk manual that will instruct employees in placing necessary licensure information and other data into the central files and, as appropriate, entering the data into the computer system.

Performance Measures

1. The outcomes from evaluations of existing programs, including cost effectiveness and program results, will be used as measures of performance.

2. The approval of budget change proposals and the hiring of additional staff will be a measure of the increased staffing level.

3. The development of a staff procedures manual for maintaining and entering data into the files and computer system.

GOAL 4. FUNDING AND STAFFING

The Commission will work (within its budget albeit reduced by 30%) to develop sufficient existing funding by continuing to work with key stakeholders to insure that funding meets the need of the profession and, where funding permits, to augment staffing so that duties critical to maintaining boxer health and safety can be performed. The Commission currently has a staff of five (executive officer, assistant chief athletic inspector, one staff services analyst, and 2 office technicians). Current staffing does not permit staff to perform all the duties necessary to help prevent boxer or martial arts fighter deaths in the ring or to regulate mixed martial arts events in a manner most conducive to fighter health and safety.

Action Plans

1. Evaluate existing funding sources. This action is performed at least annually and is predominately an on-going process.

2. Evaluate the cost effectiveness of existing programs. This action plan is performed annually.

3. Seek additional staff to bring staffing level up to what it was 15 years ago—an executive officer, assistant executive officer, chief inspector, 2 assistant chief inspectors, one associate governmental program analyst, 2 staff services analysts and 5 office technicians.

Performance Measures

1. The cost efficiency of the Commission will be taken as one measure of effectiveness. Budget deficits will be negative indicators of cost efficiency.

2. The adequacy of revenues for supporting the Commission's critical goals and strategies will be measured on an annual basis.

3. The approval of budget change proposals and the hiring of additional staff will be a measure of the increased staffing level.

GOAL 5. PARTNERSHIPS/NATIONAL PRESENCE

California is recognized as a leader in the boxing industry throughout the United States and the world. The Commission believes that reciprocity and standardization of regulations nationally is appropriate and should reflect California's high standards for boxer welfare, health and safety. Efforts should be made to harmonize California's regulation of boxing with that of other states where desirable, and where consistent with the vision and goals of this plan.

Action Plans

1. Establish a standard for existing outreach, information and presentations to other state commissions. This action plan is completed annually at the Association of Boxing Commissioners (ABC) meeting.

2. Continue development of educational and informational materials such as press releases. This action plan is performed on an on-going basis.

3. Increase the number of meetings with sports media (e.g., writers, editorial boards, television). Action on this is on-going.

4. Initiate pro-active press releases and respond to negative statements about boxing. This is an on-going action plan.

5. Meet with the Association of Boxing Commissioners (ABC) to ensure a parallel level of safety and protection. Action on this plan was completed June 1, 1997 and continues annually.

Performance Measures

1. The number of outreach efforts made (e.g. meetings, communiqués, presentations) to other organizations is a measure of outreach initiatives.

2. Public understanding and support for the sports of boxing and full contact martial arts and for the Commission will be a measure of effectiveness of outreach, education and communication efforts. This can be measured in part by attendance at and frequency of boxing and martial arts events and by comments submitted to the Commission's website.

GOAL 6. SERVICE IMPROVEMENTS

The Commission will increase the comprehension of Commission functions, laws, rules, regulations, and processes by licensees. and increase its employees' comprehension of Commission laws, rules, regulations and processes.

Action Plans

1. Analyze and implement, as appropriate, changes recommended in October 2003 Audit Report.

2. Disseminate information and improve understanding of licensees and officials through training. Action on this plan ceased due to budget constraints but will again be initiated as budget permits.

3. Compile monthly statistics as to how judges and referees score the same fight.

4. Review and modify California contracts to ensure that they conform to the provisions of the Muhammad Ali Act.

Performance Measures

1. The levels of competency of licensees and officials will be one measure of their understanding of Commission rules, regulations and procedures. The higher the level of competency, the better degree of information and understanding.

2. The number of problems caused by lack of knowledge of the Commission rules will be a second measure of understanding. The greater the number of problems, the less knowledge and understanding will be indicated among licensees and officials.

3. Measure knowledge and understanding of licensed officials through commission sponsored clinics and formal evaluations.

4. Evaluating statistics collected regarding how different judges and the referee score the same fight would measure consistency in bout scoring and knowledge of the rules governing bouts.

5. Contracts conform to the provisions of the Muhammad Ali Act.

GOAL 7. EQUAL ACCESS

The Commission will provide equal access to licensure for the diverse racial and ethnic communities comprising the public and participants in California.

Action Plan

1. Actively solicit applications for inspector positions and for licensure as officials from the diverse communities comprising the public and participants in California.

2. Engage in outreach with the primary communities from which the boxing industry derives its participants.

Performance Measures

1. A comparison of the current ethnic and racial composition of the inspectors and officials with the composition after the plan has been implemented.

GOAL 8. PENSION PLAN

The California Commission is the only state that attempts to provide pension benefits for fighters. While a noble and important concept, the funding mechanism and the financial realities are such that the pension plan will never be able to provide a significant retirement benefit for fighters. Therefore, the Commission will evaluate the feasibility of transforming the pension plan into an education and vocational re-training fund.

Action Plan

1. Refer the issue to the Pension Committee for research, discussion and recommendations to the Commission as to how to effectuate such a change.

2. Consult with the Commission's pension attorney regarding whether the proposed transformation is legally permissible and if so, how to achieve the goal without disturbing the rights of those boxers who have vested in the pension plan.

GOAL 9. MIXED MARTIAL ARTS

Action Plan

1. Hire staff and develop licensure forms.

2. Train inspectors, officials, and ringside physicians.

3. As appropriate, license participants.

4. Supervise mixed martial arts events.

Appendices

Members of the Commission and Expiration of Terms:

- Bruce Jenner 6/1/08 (1st Term) *
- Gary Gitnick, M.D. 6/1/08 (1st Term) *
- Mike Carona 6/1/06 (1st Term) *
- Armando Vergara 6/1/07 (2nd Term) *
- John Frierson 6/1/06 (1st Term) ***
- Christopher Mears 6/1/06 (1st Term) **
- Gene Massey 6/1/06 (1st term) *

* Governor appointee

** Senate Rules Committee appointee

*** Speaker of the Assembly appointee

Agenda Item

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State of California
Athletic Commission
Professional Boxer's Pension Plan

Annual Pension Report
For the year 1/1/2009-12/31/2009

INCOME STATEMENT

INCOME		
Fees and licenses	0.00	
Promoter contributions	110,479.29	
Gain/(loss) on investments	430,837.11	
Interest/dividends	194,393.74	
TOTAL INCOME		735,710.14
EXPENSES		
Statewide/Departmental prorata	1,268.30	
Staff Services Analyst position	37,286.56	
Legal fees	3,960.00	
Plan administration fees	26,540.00	
Investment expenses	16,630.60	
Distributions paid to participants*	198,321.00	
Distributions payable	44,175.00	
Distribution adjustments	0.00	
TOTAL EXPENSES		328,181.46
NET INCOME/(LOSS)		407,528.68
Trust balance at 1/1/2009		4,690,552.29
Trust balance at 12/31/2009		5,098,080.97

Participants (with account balance) by classification:	*# of boxers*	*account totals*
Covered, fully vested boxers (C)	58	548,564
Covered boxers with Break in Service (C/B)	409	3,910,354
Covered boxers now pending (C/P)	5	34,531
Pending boxers not yet vested (P)	1,046	587,986
Non-vested boxers with Break in Service (B/P)	18	16,646
Boxers who had a Break in Service this year (B)	218	0
Boxers denied benefits	0	
Boxers eligible for benefits this year	**106**	**1,460,155**

**Distributions paid by benefit category*

Normal retirement	224,149.00
Death	18,347.00
Vocational early retirement	-
	242,496.00

State of California
Athletic Commission
Professional Boxer's Pension Plan

Annual Pension Report
12/31/2009

BALANCE SHEET

Accrued interest receivable	0.00	
SMIF account	359,115.85	
Raymond James #56658065	4,798,484.82	
TOTAL ASSETS		5,157,600.67
LIABILITIES & PARTICIPANT EQUITY		
Liabilities/payables	59,519.70	
Participant equity	5,098,080.97	
TOTAL LIABILITIES & PARTICIPANT EQUITY		5,157,600.67

STATE OF CALIFORNIA

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PROFESSIONAL BOXERS' PENSION PLAN

SUMMARY PLAN DESCRIPTION (SPD)

1. Pension Plan General Information.

The name of the plan is the Professional Boxers' Pension Plan. The entire plan is set forth in California Business and Professions Code ("Code") and in Title 4 of the California Code of Regulations section 400 through 409 ("Regulations").

The plan is administered by the California State Athletic Commission ("Commission"). The plan has a public purpose because it helps eligible boxers have some benefits when they retire.

If there are any conflicts between this Summary, and the Plan as written in the Code and Regulations, the Code and Regulations will control.

2. Who Contributes to the Plan?

The promoter makes contributions to the plan based on the number of tickets sold and number of tickets given away at no cost per event, up to a maximum contribution of $4,600 per show.

The law states that a licensed California boxer is required to participate in the pension plan.

3. Who is Eligible for Benefits?

Any professional boxer who is licensed in California and fights in California ("boxer") after July 1, 1981, may be eligible to receive benefits. You are eligible to receive benefits if you:

- Fought in 10 scheduled rounds per calendar year, during each of four calendar years after July 1, 1981, **without an intervening break of service**; and
- Fought in 75 scheduled rounds after July 1, 1981, **without a break of service**.

If you fought in at least 20 scheduled rounds between July 1, 1981 and June 30, 1984, you will also receive credit for rounds you fought between June 30, 1978 and July 1, 1981.

A "break of service" means that you did not fight at least 10 scheduled rounds in California during any 36 months in a row after July 1, 1981, and before you turned 50 years old.

If you are eligible for benefits and you die before age 50, the benefits can be paid to a beneficiary of your choice. If you have not chosen anyone, then the Commission will choose the person who will receive your benefits, in the order named in the California Probate Code. The Commission's choice is final.

4. When Can I Receive Benefits?
A boxer who has met the eligibility criteria outlined in #3 above can receive benefits calculated at the end of the year when he or she:

- Reaches the age of 50;
- Reaches the age of 36, retires from boxing and requests a vocational education benefit that would be paid directly to the school; or
- Dies before the age of 50, with benefits to be paid to your beneficiary.

5. What Benefits are Available?
The Commission decides how it will pay benefits to you. The Commission may pay your benefits in a one time lump sum payment.

Options
If you qualify for a benefit, you can ask the Commission, in writing, to pay you in a different way. You must give the Commission good reasons for changing the way it pays benefits. Good reasons include that you are dying or retired because of a disability or that purchase of an annuity contract is not practical. You can ask to be paid in one of the following ways:

- A single payment in cash;
- Equal cash payments every three months, or a specific percent of your pension account to be paid over no more than five (5) years; or
- Job training early retirement benefits. If you are at least 36 years old and retired from boxing, you can ask the Commission to have all or part of your pension benefit paid for school or job training, to help you prepare for a different career. If the Commission approves your request, it will pay the money directly to the school that you attend. The school has to show the Commission that you are actually going to class.

6. What Goes into My Account?
Money contributed by boxers, managers and promoters before June 17, 1997, and money contributed by promoters after June 17, 1997, goes into your pension account. The amount placed in your pension account depends upon the number of rounds you fought and the amount of purses paid to you. One-half of the money contributed by promoters is divided among boxers based on the number of scheduled rounds fought in California by each boxer as a percent of the total number of scheduled rounds fought by all boxers in California during a year. The other half is divided based upon the amount of purses received by boxers for fights in California during a year.

For example, if you fought 20 of the total 2,000 rounds of scheduled boxing fought in California during one year, your part is 1% of the amount contributed for total rounds. If you were paid $30,000 in purses out of a total purse amount in California during one year of $900,000 your part would be 3% of the amount contributed for total purses. In addition, money may be added to your pension account from forfeiture of pension accounts of boxers who fail to become eligible for benefits

7. What Happens if I Have a Break of Service?
A break of service means that you have failed to fight at least 10 scheduled rounds in California during any 36 months in a row before you turned 50 years of age.

If you have a break of service before you are eligible to receive benefits, then the money in your pension account is taken out and divided among the other boxers. This is called a "forfeiture".

If you have a break of service after you are eligible to receive benefits, then your pension account is put on inactive status. This means you will not continue to share in the division of promoter contributions, but money will still be added to your account from forfeitures, if there are any.

8. Can I Give My Benefits to Someone Else?
You cannot sell, transfer, pledge or in any way give your benefits to anyone else before they are paid to you. In addition, your benefits cannot be taken from the plan by anyone else to pay for debts, contracts, liabilities or any wrongs you committed. You can, however, choose someone else to receive your benefits upon your death.

9. How Do I Apply for Benefits?
You or your beneficiary can ask the Commission for information about rights and benefits and the Commission will provide you with a reply, in writing, within 30 days.

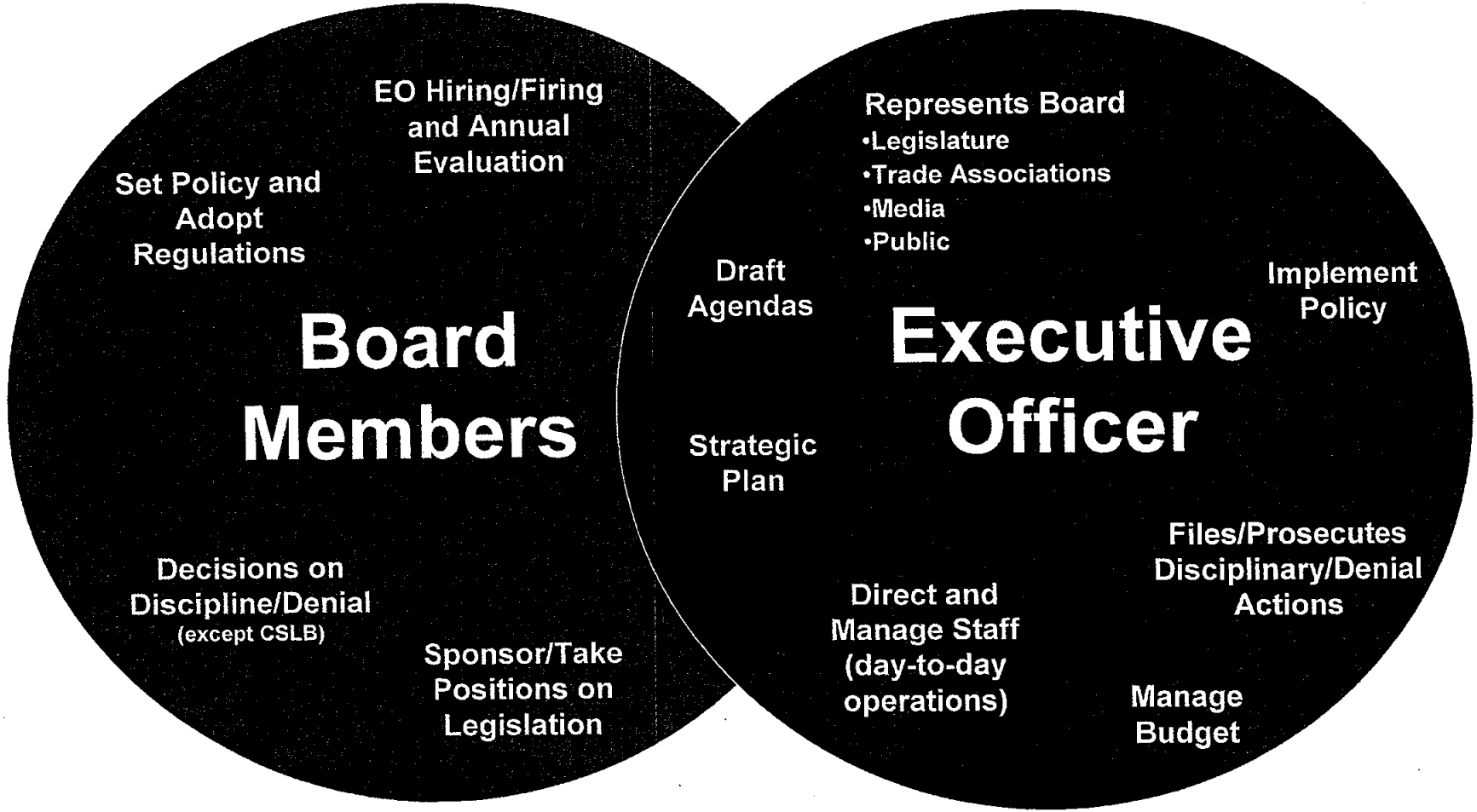
You or your beneficiary must file a written claim for benefits with the Commission. The Commission must say, in writing within 30 days, whether the claim is complete. The Commission has 60 days after receiving a complete claim to make a decision in writing and provide it to you. If the Commission denies your claims for benefits, it must give you the reasons it denied the claim and state the specific parts of the plan on which it based its denial. The Commission also must explain how it reviews denied claims.

10. How Do I Request the Review of a Denied Claim?
If the Commission denies a claim for benefits, you or your beneficiary can ask the Commission, in writing, to review the denial. This request has to be made within 90 days after you receive the denial. The Commission must notify the claimant in writing that it has received the request for review and that the person has 30 days to give the Commission a written statement and any documents that he or she feels support the claim. The Commission must look at the whole record and make a decision no later than 30 days after the person's deadline to give information to the Commission. If the Commission again denies the claim, its written decision will give you or your beneficiary the same kind of information it gave you the first time the claim was denied.

11. Who Do I Contact for More Information?
In order to obtain more information about this pension plan contact the California State Athletic Commission at 2005 Evergreen Street, Suite 2010, Sacramento, CA 95815, (916) 263-2195.

Agenda Item

11


Board Members
EO Hiring/Firing and Annual Evaluation
Set Policy and Adopt Regulations
Decisions on Discipline/Denial (except CSLB)
Sponsor/Take Positions on Legislation
Executive Officer
Represents Board
•Legislature
•Trade Associations
•Media
•Public
Draft Agendas
Implement Policy
Strategic Plan
Files/Prosecutes Disciplinary/Denial Actions
Direct and Manage Staff (day-to-day operations)
Manage Budget

CALIFORNIA STATE ATHLETIC COMMISSION

ATHLETIC COMMISSION

Board Member Administrative Manual

2005 Evergreen Street, Suite 2010
Sacramento, Ca 95815

Adopted December 200

Arnold Schwarzenegger, Governor

Brian Stiger, DCA Director

John Frierson (Chair)
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Steve Alexander
Van Buren Ross Lemons, M.D.

George Dodd

Cathy Edson

This procedure manual is a general reference which includes a review of important laws, regulations, and basic policies pertinent to this commission. This manual should be used as a guide by the commission members, and should ensure the effectiveness and efficiency of the commission.

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the distribution of money and the creation of statutes and rules providing financial safeguards.

- Protect consumers by ensuring bouts are fair and competitive while protecting the health and safety of competitors.

- Maintaining the highest possible ethics by keeping the industry as free from unethical and illegal involvement as possible.

- Seek ways to encourage major boxing events in California.

VISION AND MISSION STATEMENTS

Vision

The California State Athletic Commission shall make California the model state for the welfare of boxers and other licensees with worldwide respect from the public and the industry.

Mission

The California State Athletic Commission fosters a sound and safe environment in which boxing, kickboxing and martial arts can thrive and which provides equal access to licensure for the diverse racial and ethnic communities comprising the public and participants in California. The Commission does this by regulating and facilitating high quality and competitive sports events, while striving to protect the health and welfare of all participants.

STRATEGIC GOALS

The Commission adopted an ambitious set of goals for its agenda over the next five years. These goals were designed to improve the service and effectiveness of the Commission in protecting the safety of boxers, fulfilling the mission of the Commission and helping to achieve the Commission's vision.

The goals encompass many areas of the Commission's regulatory responsibilities and operational functions. To facilitate the implementation of these goals, the Commission had specified performance measures and action plans for each major area of change.

GOAL 1. SAFETY

The Commission will foster a safe and sound environment in which boxing, kickboxing and martial arts can thrive.

Action Plans

1. Continue the evaluations and training of officials. This will be an on-going process.

2. Continue to evaluate and implement new safety standards and products. This will be an on-going process, performed primarily by the Medical and Safety Standards Advisory Committee and at the direction of the Commission.

Introduction

Consumer Affairs Commission Member Information

The California Legislature has established 25 California Department of Consumer Affairs (DCA) regulatory Boards, Commissions and other additional programs and committees to protect public health and safety through licensing and oversight of various professions. DCA provides a variety of key administrative services to these semiautonomous boards.

Commission and Board members collectively are the leaders of these licensing agencies. Commission members make important decisions on agency policies and on disciplinary actions against professionals who violate state consumer protection laws. Commission members approve regulations and help guide licensing, enforcement, public education and consumer protection activities.

The governor appoints many commission members, but the Legislature makes appointments as well. Advisory committees for bureaus of the Department of Consumer Affairs are similar to commissions. However, these bureau advisory committees serve in an advisory capacity only, advising the commission Chief and department Director.

Overview	The California State Athletic Commission (CSAC) regulates professional and amateur boxing, kickboxing and mixed martial arts (MMA) throughout the State by licensing all participants and supervising the events.
Vision	The California State Athletic Commission shall make California the model state for the welfare of boxers and other licensees with worldwide respect from the public and the industry.
Mission Statement	The California State Athletic Commission fosters a sound and safe environment in which boxing, kickboxing and martial arts can thrive and which provides equal access to licensure for the diverse racial and ethnic communities comprising the public and participants in California. The Commission does this by regulating and facilitating high quality and competitive sports events, while striving to protect the health and welfare of all participants.

General Rules of Conduct

All commission members shall act in accordance with their oath of office, and shall conduct themselves in a courteous, professional and ethical manner at all times. The commission shall conduct its business in an open manner, so that the public that it serves will be informed and involved, consistent with the provisions of the Bagley-Keene Open Meeting Act and all other laws applicable to similar commissions within the State of California.

Commission members shall comply with all provisions of the Bagley-Keene Open Meeting Act.

Commission members shall not speak or act for the commission without proper prior authorization from the chair.

Commission members shall not privately or publicly lobby for or publicly endorse, or otherwise engage in any personal efforts that would tend to promote their own personal or political views or goals, when those are in direct opposition to an official position adopted by the commission.

Commission members shall not discuss personnel or enforcement matters outside of their official capacity unless authorized by the chair.

Commission members shall never accept gifts from applicants, licensees, or members of the profession while serving on the commission.

Commission members shall maintain the confidentiality of confidential documents and information related to commission business.

General Rules of Conduct *(cont.)*

Commission members shall commit the time and prepare for responsibilities including the reviewing of meeting notes, administrative cases to be reviewed and discussed, and the review of any other materials provided to members by staff, which is related to official commission business.

Commission members shall recognize the equal role and responsibilities of all commission members.

Commission members shall act fairly, be nonpartisan, impartial, and unbiased in their role of protecting the public and enforcing the Boxing Act.

Commission members shall treat all consumers, applicants and licensees in a fair, professional, courteous and impartial manner.

Commission members' actions shall uphold the principle that the commission's primary mission is to protect the public and athletes.

Commission members shall not use their positions for personal, familial, or financial gain.

Commission Members & Officers

Membership
(§18602)

The California State Athletic Commission consists of seven members. Five members are appointed by the Governor, one member is appointed by the Senate Rules Committee, and one member is appointed by the Speaker of the Assembly.

No person who is currently licensed, or who was licensed within the last two years, under the Boxing Act may be appointed or reappointed to serve on the commission.

Resignation of Commission Members
(Government Code Section 1750 (b),(c))

In the event that it becomes necessary for a commission member to resign, a letter shall be sent to the appointing authority (e.g. the Governor's Office or the presiding officer of the senate or assembly, whichever is the appointing authority) with the effective date of the resignation. Written notification is required by state law. A copy of this letter shall also be sent to the commission chair and the executive officer.

Officers of the Commission
(§18606)

The members of the commission shall elect one of their number as the chair and another member as the vice-chair. The chair and vice-chair shall be elected at the first meeting of each calendar year or when a vacancy exists.

Officer Vacancies
(Commission Policy)

If an office becomes vacant during the year, the chair shall hold a special election to fill the vacancy for the remainder of the term until the next annual election.

If the office of the chair becomes vacant, the vice chair shall assume the office of the chair. Elected officers shall then serve the remainder of the term.

Commission Member Orientation
(§453)

Every newly appointed commission member shall, within one year of assuming office, complete a training and orientation program offered by the department regarding, among other things, his or her functions, responsibilities, and obligations as a member of the commission. The department shall adopt regulations necessary to establish this training and orientation program and its content.

Sexual Harassment Training
(Government Code Section 12950.1)

Commission members are required to undergo sexual harassment training and education once every two years. Staff will coordinate the training.

Ethics Training
(Article 12, Government Code Section 11146, et seq)

California law requires all appointees to take an ethics orientation within the first six months of their appointment and to repeat this ethics orientation every two years throughout their term.

Executive Officer
(Commission Policy)

The Commission employs an executive officer and establishes his/her salary in accordance with the State law.

The executive officer is responsible for the financial operations, is the official custodian of records, enforces the Boxing Act, and implements commission policies. The executive officer is an at will employee, who serves at the pleasure of the commission, and may be terminated, with or without cause, in accordance with the provisions of the Bagley-Keene Open Meeting Act.

Executive Officer Evaluation
(Commission Policy)

At the first commission meeting of each fiscal year or at any time thereafter as determined by the commission, the executive officer is evaluated by the commission. The chair solicits information from the commission on the executive officer's performance in advance of this meeting.

Commission Meeting Procedures

Commission Meetings & Offices
(Commission Policy)

The full commission shall not meet less frequently than once every two months. The Commission may meet more frequently as required by statute to consider disciplining matters.

The commission's headquarter office is located in Sacramento. The commission has established an additional office in South El Monte.

Commission Meetings
(Government Code Section 11120 et seq. - Bagley-Keene Open Meeting Act)

The commission, as a statement of policy, shall comply with the provisions of the Bagley-Keene Open Meeting.

Due notice of each meeting and the time and place thereof must be given to each member in the manner provided by the Bagley-Keene Open Meeting Act. The commission may call a special meeting at any time in the manner provided by the Bagley-Keene Open Meeting Act, Government Code Section 11125.4.

Quorum
(§18605)

A majority of the appointed members of the commission constitutes a quorum for the transaction of business. The affirmative vote of a majority of those commissioners present at a meeting of the commission constituting at least a quorum is necessary to render a decision or pass a motion.

Member Attendance at Commission Meetings
(Commission Policy)

Commission members shall attend a minimum of 66% of all scheduled assigned committee meetings and full commission meetings. In extraordinary circumstances, the chair may excuse a commission member from this obligation. If a member is unable to attend, he or she must contact the commission chair or the executive officer, and provide a written explanation for the absence.

Public Attendance at Commission Meetings
(Government Code Section 11120 et seq.)

Meetings are subject to all provisions of the Bagley-Keene Open Meeting Act. This Act governs meetings of the state regulatory commissions and meetings of committees of those commissions where the committee consists of more than two members. It specifies meeting notice, agenda requirements, and prohibits discussing or taking action on matters not included on the agenda. If the agenda contains matters which are appropriate for closed session, the agenda shall cite the particular statutory section and subdivision authorizing the closed session.

Public Comment
(Commission Policy)

The commission accepts the conditions established in the Bagley-Keene Open Meeting Act and appreciates that at times the public may disapprove, reprimand, or otherwise present an emotional presentation to the commission, and it is the commission's duty and obligation to allow that public comment, as provided by law. The commission may, however, have a person removed if such person becomes disruptive at the commission meeting.

Public comment is always encouraged and allowed, however, if time constraints mandate, the comments may be limited to three minutes per person.

Agenda Items
(Commission Policy)

Commission members may submit agenda items for a future commission meeting during the "Future Agenda Items" section of a meeting or directly to the chair 30 days prior to a commission meeting. To the extent possible, the chair will calendar each commission member's request on a future commission meeting. A commissioner may request an agenda item request an agenda item on less than 30 days notice if it is deemed urgent and the chair concurs on the urgency.

In the event of a conflict, the commission chair will discuss the proposed agenda item with the executive officer, and the chair shall make the final decision. The chair will work with the executive officer to finalize the agenda.

Notice of Meetings
(Staff Policy)

Meeting notices, including agendas, for commission meetings will be sent to persons on the commission's mailing list and posted on the commission's web site at least 10 calendar days in advance, as specified in the Bagley-Keene Open Meeting Act. The notice shall include the person's name, work address, and work telephone number of a staff person who can provide further information prior to the meeting.

Record of Meetings
(Commission Policy)

The minutes are a summary, not a transcript, of each commission meeting. They shall be prepared by commission staff and submitted for review by commission members as part of the agenda packet.

Commission minutes should be approved at the next scheduled meeting of the commission. When approved, the minutes shall serve as the official record of the meeting. The recording of a commission meeting shall not be destroyed until the

minutes of that meeting have been approved.

Meeting Rules
(Commission Policy)

The commission will use Robert's Rules of Order, to the extent that it does not conflict with state law (e.g., Bagley-Keene Open Meeting Act or other state laws or regulations), as a guide when conducting the meetings. Questions of order are clarified by the commission's legal counsel.

General Commission Policies & Procedure

Commission Administration
(Commission Policy)

Strategies for the day-to-day management of programs and staff are the responsibility of the executive officer as an instrument of the commission. Commission members should not interfere in day-to-day operations.

Terms & Removal of Commission Members
(§18602, §106)

Each member of the commission is appointed for a term of four years. All terms end on January 1. No commission member may serve more than two consecutive terms.

The Governor has power to remove from office at any time, any member appointed by him for continued neglect of duties required by law, or for incompetence, or unprofessional or dishonorable conduct. Nothing in this section shall be construed as a limitation or restriction on the power of the Governor, conferred on him by any other provision of law, to remove any member of any commission.

Commission Staff
(Commission Policy)

Employees of the commission, with the exception of the executive officer, are civil service employees. Their employment, pay, benefits, discipline, termination, and conditions of employment are governed by a myriad of civil service laws and regulations and often by collective bargaining labor agreements.

Because of this complexity, the commission delegates authority and responsibility for management of the civil service staff to the executive officer as an instrument of the commission.

Commission members may express any concerns about staff to the executive officer but shall refrain from involvement in any civil

Commission Staff (cont.) (Commission Policy)	service matter. Commission members shall not become involved in the personnel issues of any state employee, including inspectors.
Commission Budget (Commission Policy)	The executive officer or the executive officer's designee will attend and testify at legislative budget hearings and shall communicate all budget issues to the administration and Legislature.
Strategic Planning (Commission Policy)	The commission will conduct strategic planning review and update sessions every other calendar year.

Conflict of Interest

Conflict of Interest
(15 U.S.C., § 6308)

No member or employee of a boxing commission, no person who administers or enforces State boxing laws, and no member of the Association of Boxing Commissions may belong to, contract with, or receive any compensation from any person who sanctions, arranges, or promotes professional boxing matches or who otherwise has a financial interest in an active boxer currently registered with a boxer registry. For purposes of this section, the term "compensation" does not include funds held in escrow for payment to another person in connection with a professional boxing match. The prohibition set forth in this section shall not apply to any contract entered into, or any reasonable compensation received, by a boxing commission to supervise a professional boxing match in another State as described in Section 6303 of the Federal Boxing Act, title 15.

Contact with Licensees and Applicants
(Commission Policy)

Commission members shall not intervene on behalf of a licensee or applicant for licensure for any reason. They should forward all contacts or inquiries to the executive officer.

Gifts From Licensees and Applicants
(Commission Policy)

A gift of any kind to commission members from licensees or applicants for licensure is <u>not</u> permitted. A gift shall be returned immediately.

Ex Parte Communications
(Government Code Section 11430.10 et seq.)

The Government Code contains provisions prohibiting ex parte communications. An "ex parte" communication is a communication to the decision-maker made by one party to an enforcement action without participation by the other party. While there are specified exceptions to the general prohibition, the key provision is found in subdivision (a) of section 11430.10, which states:

> "While the proceeding is pending, there shall be no communication, direct or indirect, regarding any issue in the proceeding to the presiding officer from an employee or representative of an agency that is a party or from an interested person outside the agency, without notice and an opportunity for all parties to participate in the communication."

Commission members are prohibited from an ex parte communication with commission enforcement staff while a proceeding is pending.

Occasionally, an applicant who is being formally denied licensure, or a licensee against whom disciplinary action is being taken, will attempt to directly contact commission members. If the communication is written, the person should read only far enough to determine the nature of the communication. Once he or she realizes it is from a person against whom an action is pending, they should reseal the documents and send them to the executive officer.

If a commission member receives a telephone call from an applicant under any circumstances or licensee against whom an action is pending, he or she should immediately tell the person they cannot speak to them about the matter and inform the executive officer.

Ex Parte Communications *(cont.)*
(Government Code Section 11430.10 et seq.)

If the person insists on discussing the case, he or she should be told that the commission member will be required to recuse him or herself from any participation in the matter. Therefore, continued discussion is of no benefit to the applicant or licensee.

If a commission member believes that he or she has received an unlawful ex parte communication, he or she should contact the executive officer.

The Honoraria Prohibition
(Government Code Section 89503)
(FPPC Regulations, Title 2, Division 6)

As a general rule, members of the commission should decline honoraria for speaking at, or otherwise participating in, professional association conferences and meetings. A member of a state commission is precluded from accepting an honorarium from any source, if the member would be required to report the receipt of income or gifts from that source on his or her statement of economic interest.

Commission members are required to report income from, among other entities, licensees and professional associations. Therefore, a commission member should decline all offers for honoraria for speaking or appearing before such entities.

There are limited exceptions to the honoraria prohibition. The acceptance of an honorarium is not prohibited under the following circumstances:

- When a honorarium is returned to the donor (unused) within 30 days.

3. Strengthen screening of fighters entering the professional ranks to ensure that they possess the necessary skills.

4. Hold clinics semi-annually for inspectors, referees and physicians, as mandated by Business and Professions Code Sections 18615 and 18731.

Performance Measures

1. The number or rate of participant injuries will be a measure of safety. A decrease in either the number or the rate of injuries will be a favorable indication of safety measures, while an increase in the number of injuries will be an unfavorable indication.

2. Response time required in getting medical treatment to an injured athlete will be a second measure of safety. The faster the response time, the more favorable the indication will be.

GOAL 2. PROGRAMS

The Commission will continue to provide the maximum level of safety to participants within the California State Athletic Commission's programs.

These programs are as follows:

- Neurological Program
- Officials' Training
- Referee Evaluation Process
- HIV/HBV/HEP C Testing
- Professional Boxer Identification Card Program

Action Plans

1. Hold clinics semi-annually for inspectors, referees and physicians, as mandated by Business and Professions Code Sections 18615 and 18731.

2. Strengthen screening of fighters entering the professional ranks to ensure that they possess the necessary skills.

3. Develop a neurological examination that better measures whether an applicant is neurologically impaired and thus should not be licensed as a boxer.

4. Pursuant to the Federal Professional Boxing Safety Act, the Commission began issuing professional boxer identification cards. This action plan was implemented October 1, 1997.

The Honoraria Prohibition (*cont.*)
(Government Code Section 89503)
(FPPC Regulations, Title 2, Division 6)

1. When an honorarium is delivered to the State Controller within thirty days for donation to the General Fund (for which a tax deduction is not claimed).

2. When an honorarium is not delivered to the commission member, but is donated directly to a bona fide charitable, educational, civic, religious, or similar tax exempt, non-profit organization.

In light of this prohibition, members should report all offers of honoraria to the commission chair so that he or she, in consultation with the executive officer and staff counsel, may determine whether the potential for conflict of interest exists.

Incompatible Activities
(Executive Order 66.2)

Pursuant to Executive Order 66-2, no employment, activity or enterprise shall be engaged in by any gubernatorial appointee which might result in, or create the appearance of resulting in any of the following:

1. Using the prestige or influence of a State office for the appointee's private gain or advantage.

   Using state time, facilities, equipment, or supplies for the appointee's private gain or advantage, or the private gain or advantage of another.

3. Using confidential information acquired by virtue of State involvement for the appointees private gain or advantage, or the private gain or advantage of another.

Incompatible Activities (*cont.*)
(Executive Order 66.2)

Receiving or accepting money or any other consideration from anyone other than the State for the performance of an act which the appointee would be required or expected to render in the regular course of hours of his or her State employment or as a part of the appointee's duties as a State officer.

Travel & Salary Policies & Procedures

Travel Approval (Commission Policy)	Commission members shall receive the chair's approval for all travel and salary or per diem reimbursement, except for regularly scheduled commission, committee, and conference meetings to which a commission member is assigned.
Travel Arrangements (Commission Policy)	Commission members should attempt to make their own travel arrangements and are encouraged to coordinate with the commission liaison on lodging accommodations.
Out-of-State Travel (SAM Section 700 et seq.)	For out-of-state travel, commission members will be reimbursed for actual lodging expenses, supported by vouchers, and will be reimbursed for meal and supplemental expenses. Out-of-state travel for all persons representing the state of California is controlled and must be approved in advance by the Governor's Office.
Travel Claims (SAM Section 700 et seq. and DCA Memorandum 96-01)	Rules governing reimbursement of travel expenses for commission members are the same as for management-level state staff. All expenses shall be claimed on the appropriate travel expense claim forms. The executive officer's travel and per diem reimbursement claims shall be submitted to the commission chair for approval. It is advisable for commission members to submit their travel expense forms immediately after returning from a trip and not later than thirty days following the trip.

Travel Claims (*cont...*)
(SAM Section 700 et seq. and DCA Memorandum 96-01)

For the expenses to be reimbursed, commission members shall follow the procedures contained in DCA Departmental Memoranda, which are periodically disseminated and provided to commission members.

Salary Per Diem
(Commission Policy)

The following general guidelines shall be adhered to in the payment of salary per diem or reimbursement for travel:

No salary per diem or reimbursement for travel-related expenses shall be paid to commission members except for attendance at official commission or committee meetings, unless a substantial official service is performed by the commission member.

The executive officer shall be notified and approval shall be obtained from the commission chair prior to commission member's attendance at gatherings, events, hearings, conferences or meetings other than official commission or committee meetings in which a substantial official service is performed.

The term "day actually spent in the discharge of official duties" shall mean such time as is expended from the commencement of a commission or committee meeting until that meeting is adjourned.

If a member is absent for a portion of a meeting, hours are then reimbursed for time actually spent. Travel time is not included in this component.

Salary Per Diem
(cont...)
(Commission Policy)

For commission-specified work, commission members will be compensated for actual time spent performing work authorized by the commission chair. This may also include, but is not limited to, authorized attendance at other gatherings, events, meetings, hearings, or conferences.

Reimbursable work does not include miscellaneous reading and information gathering unrelated to commission business.

Commission members who participate on their own (i.e., as a citizen or professional) at an event or meeting but not as an official commission representative will not be entitled to per diem or travel reimbursement.

Other Policies & Procedures

Commission Member Addresses
(Commission Policy)

Commission member addresses and telephone numbers are confidential and shall not be released to the public without expressed authority of the individual commission member. A roster of commission members is maintained for public distribution on the commission's web site using the commission's address and telephone number.

Service of Legal Documents
(Commission Policy)

If a commission member is personally served as a party in any legal proceeding related to his or her capacity as commission member, he or she must contact the executive officer immediately.

Business Cards
(Commission Policy)

Business cards will be provided to each commission member with the commission's name, address, telephone and fax number, and website address.

Communications With Other Organizations & Individuals
(Commission Policy)

All communications relating to any commission action, policy, or complaint to any individual, organization, or media shall be made only by the chair of the commission, his or her designee, or the executive officer.

Any commission member who is contacted by any of the above should inform the commission chair or executive officer of the contact immediately. All correspondence shall be issued on the commission's standard letterhead and will be disseminated by the executive officer's office.

Committee Appointments
(Commission Policy)

The chair shall establish committees, whether standing or special, as he or she deems necessary.

The composition of the committees and the appointment of the members shall be determined by the commission chair in consultation with the vice chair and the executive officer.

Committee Meetings
(Commission Policy)

Each committees shall be comprised of at least two commission members. Staff will provide technical and administrative input and support. The committees are an important venue for ensuring that staff and commission members share information and perspectives in crafting and implementing strategic objectives.

The commission's committees allow commission members, stakeholders and staff to discuss and conduct problem solving on issues related to the commission's strategic goals. They also allow the commission to consider options for implementing components for the strategic plan.

The committees are charged with coordinating efforts to reach commission goals, and with achieving positive results on performance measures.

The commission chair designates one member of each committee as the committee's chairperson.

The chairperson coordinates the committee's work, ensures progress toward the commission's priorities, and presents reports at each meeting. These meetings shall also comply with the Bagley-Keene Open Meeting Act.

Attendance at Committee Meetings
(Commission Policy, and Government Code Section 11122.5 et seq.)

If a commission member wishes to attend a meeting of a committee of which he or she is not a member, the commission member must obtain permission from the commission chair and must notify the committee chair and staff.

If there is a quorum of the commission at a committee meeting, commission members who are not members of the committee must sit in the audience and cannot participate in committee deliberations. It is also important to note that any time more than two commission members attend a commission committee meeting, that committee must have been publicly noticed.

The commission's legal counsel works with the executive officer to assure that any meeting that fits the requirements for a public meeting is appropriately noticed.

Attendance at Events Regulated by the Commission
(Commission Policy)

Commission members are encouraged to attend events regulated by the California State Athletic Commission. Commission members will not directly involve themselves with the regulation of the event.