



California State Athletic Commission Operational and Administrative Internal Control Audit

DCA Internal Audit Office

March 2013 Report 2012-105



March 8, 2013

Andy Foster, Executive Officer
California State Athletic Commission
2005 Evergreen Street, Suite 2010
Sacramento, CA 95815

RE: Audit Report of the California State Athletic Commission Operations and Internal Controls

Dear Mr. Foster:

Enclosed please find the audit report of the California State Athletic Commission (CSAC) Operations and Internal Controls. The audit was performed at the request of the DCA audit committee to provide an assessment of the commission's operations and internal controls. The audit period was July 1, 2011 through December 31, 2012. The last day of field work was February 8, 2013.

We received your response on March 7, 2013, and have included it in this report as Attachment 1. We also received a response from DCA Office of Administrative Services to the Administrative Internal Controls portion of the report, and have included this as Attachment 2 to this report.

We will return to CSAC for follow-up reviews after 180-days and 360-days from the date of the final report to evaluate your progress in implementing the audit recommendations.

We appreciate the cooperation extended by CSAC staff during the course of the audit. If you have any questions, please contact me at (916) 574-8190.

Sincerely,

Original Signed by:

Cathleen Sahlman
DCA Internal Audit Chief

cc: Denise Brown, Director, Department of Consumer Affairs
DCA Audit Committee Members

Enclosure: California State Athletic Commission Operational and Internal Control Audit

Table of Contents

Report Summary	i
Full Report	1
Preface	1
Background	1
Objectives/Scope	1
Methodology	2
Observations and Recommendations	3
• Athletic Event Observations	3
• Enforcement Observations	13
• Licensing Observations	15
• Administrative Internal Control Observations	32
Attachment 1 – California Athletic Commission Response	
Attachment 2 – DCA Office of Administrative Services Response	

Report Summary

The DCA Internal Audit Office (IAO) was engaged in July 2012 to audit the California State Athletic Commission (CSAC). The objectives were:

- Evaluate CSAC's event oversight
- Evaluate CSAC's enforcement and licensing processes
- Evaluate CSAC's compliance with State Administrative Manual (SAM) Internal Controls
- Determine if CSAC's box office receipt procedures are adequate

The audit period was July 1, 2011 through December 31, 2012. The IAO attended eight separate CSAC regulated events and weigh-ins during the latter half of 2012. We included events of various sizes and various sports (pro boxing, Mixed Martial Arts (MMA), Ultimate Fighter Championship (UFC), amateur Muay Thai). In addition, the IAO tested enforcement, licensing, and administrative internal control processes at the CSAC headquarters office.

We categorized our observations into four areas: Athletic Events, Enforcement, Licensing, and Administrative Internal Controls. A brief summary of each area's findings is provided below:

Athletic Events

Our observations occurred during a time of transition for the Executive Officer position. The new Executive Officer reported to work on November 7, 2012. Since his arrival, many of the conditions we saw in earlier event observations ceased to exist or were reduced in the later event observations.

The following summarizes some of the highlights of the event observation, by event:

UFC 149 – 8/3/2012-8/4/2012

We had only two issues: CSAC did not secure event officials' paychecks at the CSAC table, and often left the table unattended. Secondly, UFC did not wait to have CSAC inspectors observe handwraps, an essential Athletic Inspector (AI) function.

One World Boxing, Tulare County Fair 8/23/2012 – 8/24/2012

This event was poorly administered, prompting us to issue a management letter to the Acting Executive Officer of CSAC at the time (August 2012). There was a severe shortage of AIs to control the event. Water was spilled in the corner of the ring, causing one cornerman to slip and fall. No AI checklist was completed pre-bout, to check for such items as pre-fight physical, appropriate mouthpiece, and cup/chest protectors. Hand wraps were not monitored by inspectors, as there was only one inspector for two dressing rooms. Fighters were observed in the ring with their shoelaces not taped down. Many unauthorized persons were allowed in the dressing rooms such as girlfriends, family members, and others who had no authorized purpose. The boxing ring's lower rope was inadequately padded, and the stairs to the ring were not attached

to the ring base. The lead AI was accepting cash at the weigh-in. The promoter reported to the lead AI that he did not have the funds to meet his obligations, such as officials' fees.

Rebel Fighter, Rancho Cordova, 11/14/2012 – 11/15/2012

This event was also poorly administered, due to lack of AI coverage and a poorly chosen venue for the event. The fighters' dressing rooms were outside under tarps, in the rain. The athletes had to warm up on rainy mats and got their clothing wet. AIs were not requiring official identification from the fighters. One official slipped and fell as he entered the event, as there was water in the entry way. Beer was being served in cans rather than plastic cups. There were not enough inspectors to observe hand wraps.

LTD Productions, Sacramento Fusion Art Center, 11/17/2012

This amateur MMA and kickboxing event was to be held at 5 pm on 11/17. However, the promoter was unable to document that he had medical insurance, so at 8:15 p.m. the CSAC Executive Officer had to cancel the event, due to the state's liability. CSAC had to attach the promoter's bond to cover expenses incurred.

O.P.P. Productions, Sacramento, 11/16/2012 -11/17/2012

This event appeared appropriately handled by CSAC. Fighters were instructed not to leave the dressing rooms, two did anyway, and were fined and drug-tested by the new CSAC Executive Officer. The lower rope of the boxing ring was found inadequate, and the promoter was sent to Home Depot to obtain additional padding for the ring. When the box office could not be reconciled due to lack of a ticket manifest and seating chart, the lead AI bagged up the tickets and took them to CSAC for later reconciliation.

Roy Engelbrecht Promotions, Pro Boxing/MMA, Amateur Muay Thai on 12/6/2012 and 12/07/2012

The weigh-in was held in a Hooters Restaurant in Costa Mesa; the music was too loud and the physician conducting the pre-bout physicals could not hear the heartbeats of the contestants. CSAC had not forwarded the "fight fax" information to the lead AI (this would have shown the status of suspensions). Dressing rooms were left unattended during the event; Athletes left the locker room to roam and watch other bouts while waiting for their own bouts; beer was sold in bottles in certain areas of the event; the promoter prepared the box office receipt the day after the event.

Golden Boy Promotions, Boxing, Los Angeles and Anaheim, 12/07/12 -12/08/2012

No significant deficiencies noted other than unattended dressing rooms due to shortage of AIs.

Box Office Receipt Observations

We observed the box office receipt process at three separate events. We noted many of the box office receipt regulations are ignored. For example, there was no ticket

manifest, no seating chart, no identification of comped tickets, no sealed containers to hold the tickets, and only the promoters seemed to know which tickets had been discounted. In addition, fighters sometimes sell their own tickets at steep discounts. This makes it extremely difficult, if not impossible, to accurately determine the correct amount of gate taxes, pension and neuro fund contributions due to CSAC.

Enforcement Issues

We noted two issues we classified as Enforcement issues. 1) Delegation of Authority to California Mixed Martial Arts Organization (CAMO) for amateur mixed martial arts non-compliance with Business & Professions (B & P) Code and 2) No complaint process exists within CSAC headquarters.

CAMO – The delegation of authority occurred in late 2009 with commission approval. However, the delegation was accomplished with an informal memo from the acting CSAC Executive Officer at the time, and contains no term or end date. In addition, under B & P Code Section 18646, CSAC is to perform annual performance reviews of CAMO. CSAC has not performed these reviews. Rather, each year CAMO prepares a power point presentation to the commission to show how they are doing. In addition, the B & P Code requires CAMO to provide receipt and disbursement statements within 90 days of each event they regulate. CAMO has never provided these receipt and disbursement statements to CSAC.

No complaint process at CSAC headquarters – this was a follow up to a prior internal audit from 2003. CSAC still does not have any formal complaint process.

Licensing Issues

We reviewed licensing files at CSAC headquarters, and found many were not complete enough to document the current status of any licensee. We reviewed specific requirements for Judges, Referees, Matchmakers, Promoters, Managers, and Professional Boxers. The full report provides numerous statistics on what is missing from the licensing files.

In addition, we noted the lack of written licensing procedures for CSAC employees, and the lack of an adequate computer database to meet CSAC's licensing needs.

Administrative Internal Controls

Basic SAM controls were also included in the scope of the audit. A brief summary of each follows:

Cash Receipts – CSAC had lost the combination to the safe and was not adequately securing cash receipts.

Payroll Accounts Receivable – Current and former employees with amounts owed due to outstanding adjustments, salary or travel advances, or other amounts owed the state were never given notice that a receivable was due, and the statute of limitations on collections expired.

Accounts Receivable Promoters and Athletes – The official accounting system (CALSTARS) shows \$66, 563 of outstanding (uncollected) receivables from promoters and athletes. CSAC was only able to support \$28,931. We attempted to find support from DCA Accounting for the remainder, and found only \$46,149 in supporting documentation for these receivables. Collection is highly unlikely given the state of the accounting records.

Cal Card Purchasing - We sampled eleven Cal Card purchases and found many deficiencies in documentation. 90% (10 of 11) of the Cal Card packets did not contain all documents required for processing. 82% (9 of 11) were not supported by original purchase documents. It appears CSAC staff lack training in the use and documentation of the card.

Contracts – Although CSAC has three active contracts, none were on file at CSAC. No monitoring of contract terms and conditions can be accomplished without complete contract files.

Personnel – The DCA Nepotism policy appeared to have been violated, as forms were not on file documenting familial relationships between four CSAC AIs.

Payroll – Employee separation pay was not accomplished within 72 hours of the date of separation for five out of eight separated employees. Only one of nine separations tested had a Form 99K-35B, Inventory of Property/Equipment issued form on file. Employees are not separated timely. Also, the risk exists that state equipment and employees' access to e-mail and databases is not terminated timely.

Preface

On June 19, 2012 the DCA Internal Audit Office (IAO) issued a confidential risk assessment to the DCA Director and Audit Committee on the California State Athletic Commission (CSAC). The risk assessment identified several areas of concern in CSAC internal controls and operations, and recommended a more thorough internal audit be conducted. A full internal audit commenced in July 2012.

After the IAO started the official internal audit of CSAC, the Joint Legislative Audit Committee (JLAC) of the California Legislature requested an external audit of CSAC by the Bureau of State Audits (BSA). Since some of the areas in the JLAC audit request were already in progress by the IAO, we altered the scope of our audit in order to avoid duplication of effort. The BSA would assume the areas of the Budget, Revenue (including cash receipts), Travel, Pension Fund, and Neurological Fund. All were originally in the IAO audit scope. In addition, the BSA was given additional objectives by the JLAC which were not within the scope of the original Internal Audit. The BSA began their work in September 2012, and stated they anticipate their final report will be published in late March 2013.

Background

The California State Athletic Commission is responsible for protecting the health and safety of boxers, kickboxers and mixed martial arts fighters by administering the laws relating to the State Boxing Act. CSAC must also comply with the federal Professional Boxing Safety Act and the Muhammad Ali Boxing Reform Act. CSAC is responsible for licensing, enforcement and regulation of events. In this regard, CSAC establishes requirements for licensure, issues and renews licenses, approves and regulates events, assigns officials to events, and enforces applicable laws by issuing fines and suspending and revoking licenses.

The IAO began this audit in July 2012, and completed field work in February 2013. This report presents the results of our review.

Objectives/Scope

The objectives and scope of this audit were to:

- Determine if CSAC's event oversight is adequate to assure the health and safety of event participants and the public;
- Determine if CSAC has a complaint handling process for enforcement;
- Determine if CSAC's licensing process is adequate to assure only qualified officials, athletes, promoters, managers, and matchmakers are licensed;
- Determine if CSAC is adhering to State Administrative Manual (SAM) requirements in its operations;
- Evaluate internal controls over (event) Cashiering, Purchasing, Contracts, Personnel/Payroll, and Accounts Receivables
- Determine if box office receipts internal controls are adequate to assure the commission is receiving the appropriate gate taxes and fees.

Methodology

The following procedures were performed to address the audit objectives:

- Interviewed key personnel, including CSAC staff, both past and present, to obtain their perspectives;
- Reviewed available written policies and procedures governing CSAC operations;
- Reviewed applicable legal provisions and regulations governing CSAC operations;
- Reviewed prior audit reports, both internal and external, and management reviews pertinent to the audit objectives;
- Tested the administrative internal control processes (limited to those specified in the scope section only) within the CSAC headquarters office to determine if they are in accordance with the SAM;
- Interviewed promoters, event officials, and athletic inspectors about their roles and responsibilities and what needed to be improved from their perspectives;
- Tested the operational functions of licensing and enforcement within the CSAC administrative office to assess compliance with applicable regulations;
- Attended eight separate athletic events including UFC, MMA, Professional Boxing, Amateur Muay Thai, and Amateur Boxing to evaluate CSAC's oversight of these events, and to assess compliance with applicable regulations in the field;
- At three of the eight events, observed and documented the box office receipt procedures.

Our audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing, under guidance provided by the Institute of Internal Auditors. These standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our opinion. We believe the evidence obtained provides a reasonable basis for the conclusions outlined in our report.

Observations and Recommendations

For purposes of the organization of this report, we have broadly categorized our observations into four major areas. These areas are:

- Athletic Event Observations
- Enforcement Observations
- Licensing Observations
- Administrative Internal Control Observations

Athletic Event Observations

During the course of our audit we attended eight separate events, in addition to the weigh-ins for the events. The purpose of the event/weigh-in observations was to observe the performance of CSAC event administration and internal control in the field, and to assess compliance with applicable regulations. In addition, we observed box office receipt handling in the field, and on a limited basis, cash receipt handling for license and other fees.

We began these observations in July of 2012 and attended our last observations in December 2012. These event observations are presented here in chronological order.

The events/weigh-ins attended by the IAO included:

1. UFC 149- Staples Center, Los Angeles weigh-in 8/3/12, event 8/4/12
2. One World Boxing, Tulare County Fair, weigh-in 8/23/12, event 8/24/12
3. Rebel Fighter Boxing, Rancho Cordova, weigh-in 11/15/12, event 11/16/12
4. LTD Productions – Amateur MMA & Kickboxing, Sacramento, weigh-in 11/17/12, event 11/17/12 (event was cancelled immediately before starting)
5. O.P.P – Professional Boxing, Sacramento, weigh-in 11/16/12, event 11/17/12
6. Roy Englebrecht, Professional Boxing & MMA, Costa Mesa, weigh-in 12/5/12, event 12/6/12
7. Golden Boy Promotions, Professional Boxing, Los Angeles and Anaheim, weigh-in 12/7/2012, event 12/8/12
8. Roy Englebrecht, Amateur Muay Thai, Costa Mesa, weigh-in 12/7/12, event 12/8/12

Athletic Event Observation # 1 - UFC 149

The UFC event was held at the Staples Center in Los Angeles on 8/3/12 (weigh-in) and 8/4/12 (event). The UFC is a large MMA promoter that holds events all over the world. UFC does not hold a large number of events in California. The IAO attended the event because CSAC officials said it would be an example of how things should be done.

The UFC event was well-organized. The UFC operates with a large team of people to perform its functions, so it is not typical of a CSAC administered event. The UFC requires all of their fighters to stay at a hosted hotel days before the actual weigh-in. Thus all fighters and their teams are registered and paperwork processed well in advance of the event. The auditor observed that no licensing was taking place at the

weigh-in, due to UFC had previously done all of the work and arranged to deduct CSAC licensing fees from fighter's purses before the event. UFC then works with CSAC to ensure all licensing has taken place.

We noted only two areas of concern at the UFC event. During the event, the fighter's purse checks were not secured at the commission table. At times, there were no CSAC officials sitting at the table, leaving these checks vulnerable to theft. As a practical matter, to avoid this risk, CSAC should secure these checks or maintain possession of them when they leave the table.

Secondly, with CSAC limiting the number of Athletic Inspectors due to budget issues, there were not enough inspectors on hand to observe hand wraps. UFC officials were seen observing the hand wraps rather than CSAC inspectors. Observance of hand wraps is a primary function of the CSAC, and should not be performed by the promoter, as this could be seen as a conflict of interest. The Association of Boxing Commission (ABC), Unified Amateur Mixed Martial Arts Rules, states, in part, "Bandages and tape shall be placed on contestants' hands in the dressing room in the presence of the inspector... Under no circumstances are gloves to be placed on the hands of a contestant until the approval of the inspector is received."

Recommendations:

- Fighter checks should not be left unsecured on the CSAC table during an event;
- All hand wrapping should be observed by CSAC Athletic Inspectors.

Athletic Event Observation # 2 - One World Boxing

The One World Boxing event was held at the Tulare County Fair on August 23, 2012 (weigh-in) and August 24, 2012 (event). We observed numerous unacceptable conditions at this event, prompting us to issue a management letter to CSAC shortly after the event.

We observed the following conditions:

- Sanitation was not maintained at the ring during the event. Water was spilled in one corner, causing one cornerman to slip and fall;
- The Athletic Inspector checklist was not completed timely. The checklist is intended to be completed pre-bout, and includes such items as verification of a pre-fight physical, check for appropriate mouthpiece and cup/chest protector; hand wraps are wrapped according to policy; gloves are taped according to policy;
- Hand wraps were not monitored by inspectors for all participants;
- There was only one inspector for two dressing rooms;
- There was only one inspector to provide escorts to and from dressing rooms;
- There was only one inspector to monitor the blue and red corners;
- Licensees/fighters were observed in the ring with their shoe laces not taped down;
- There were unauthorized persons in the dressing rooms;

- The boxing ring presented challenges, in that the lower ring was inadequately padded, and the steps were not attached to the ring base;
- Beer was being sold in aluminum cans until one judge informed the promoter and vendor that regulations prohibit this practice;
- At the weigh-in, the lead Athletic Inspector (AI) received cash from fighters and seconds for license fees; the AI stated he would take the cash home, then on the day of the event he would issue the cash to the promoter, who would in turn write a check to the commission for fees received;
- Sales revenue was not adequately controlled. The auditor was not issued any credential, courtesy pass or complimentary ticket. In addition, guests/family members of officials were allowed to enter and sit ringside;
- The promoter stated to the Athletic Inspector that he did not have the funds to meet his obligations, such as official's fees.

The life, health and safety of participants and the viewing public is jeopardized when all safety regulations are not adhered to.

The CSAC Athletic Inspector manual dated October 2011, page 18, paragraph 3, states, "The spilling of water in the corner causing the canvas to become slippery is not permitted. Any water that forms a puddle on the floor of the ring must be wiped up by one of the seconds – not the inspector. Water over the head is strictly prohibited."

California Code of Regulations, Title 4, Business Regulations, Division 2 applies as follows:

Section 292, Sanitation, states, "All clubs are held responsible for and shall correct any violation of commission rules or applicable local health department requirements regarding sanitary conditions of dressing rooms, showers, water bottles towels or other equipment."

Section 253, Drinks, states, "Clubs shall be responsible to see that all drinks shall be dispensed in paper cups."

Section 312, Ring Ropes, states in part, "...The lower rope shall have around it a padding of a thickness of not less than one-half inch and of a type and construction to be approved by the commission."

Section 311, Height of Ring, states in part, "The ring platform shall not be more than 4 feet above the floor of the building and shall be provided with suitable steps."

Section 373, Fees for Officials, states, "At all boxing events each timekeeper, referee and judge on duty directed by the commission to be in attendance thereat, shall be paid by the club such fee as the commission shall order, in accordance with the schedule furnished to the club and on file with the commission."

Section 213, Promoter's License, states, "In order to be issued a boxing promoter's license an applicant shall meet all of the following requirements: (a) an applicant shall demonstrate financial responsibility. For purposes of section 18665(b) of the code,

'financial responsibility' means no less than \$50,000 in cash or the equivalent in liquid assets as demonstrated by the applicant's financial statement."

This event occurred during the time CSAC was trying to manage events with three inspectors per event due to severe budget constraints. It was apparent that there were not enough Athletic Inspectors at this event to ensure a safe event.

Recommendations:

- CSAC Inspectors should be vigilant about enforcing the rules and regulations at events and weigh-ins to ensure the safety of all participants and the public. CSAC should not attempt to operate without enough inspectors on hand to ensure event safety;
- Mandatory training for Inspectors should be provided and attendance documented;
- Cash should never be accepted by a CSAC Inspector;
- If a promoter cannot meet financial obligations of the event, the required bond should be attached so that all athletes, officials and others owed money can be paid by the promoter.

Athletic Event Observation # 3 – Rebel Fighter

The following internal control deficiencies were noted at the weigh-in and MMA event held on November 14 and 15, 2012.

- Hand wraps were not observed by an Athletic Inspector;
- Security personnel were not briefed on their duties;
- The dressing room for the fighters was not adequately controlled (unauthorized persons were admitted);
- Fighters' dressing room was unsanitary (outside and in the rain) under a tarp;
- The promoter placed "painter's plastic" on the patio but it rained on the day of the event, so the athletes had to warm up on rainy mats and got their clothing wet;
- The snack bar ran out of tap beer and was serving beer in cans;
- The Doctor was not using the official medical form issued by the Department of Consumer Affairs;
- Fighters and Doctors had no privacy to discuss the results of their pre-fight physical exams;
- Athletic Inspectors were not requiring official identification from the fighters;
- An official slipped and fell as he entered the event, as there was water in the entry way.

The Association of Boxing Commission, Unified Amateur Mixed Martial Arts Rules, states in part, "Bandages and tape shall be placed on contestants' hands in the dressing room in the presence of the inspector... Under no circumstances are gloves to be placed on the hands of a contestant until the approval of the inspector is received".

California Code of Regulations, Title 4, Division 2, California State Athletic Commission, applies as follows:

Section 541, Promoter's License (b), states in part, "In order to be issued a promoter's license, an applicant shall meet all the following requirements: (b) Provide evidence that the promoter will have complete control over...security for each event".

Section 295, Only Authorized Persons in Dressing Rooms, states in part, "No one shall be allowed in the boxer' dressing rooms except their manager, seconds, news media, and commission or club representatives..."

Section 292, Sanitation, states in part, "All clubs are held responsible for and shall correct any violation of the commission rules and applicable local health department requirements regarding sanitary conditions of dressing rooms..."

Section 253, Drinks, states, "Clubs shall be responsible to see that all drinks are dispensed in paper cups."

Section 280 (b), Examination of Boxer Applicants, states, "An examination of an applicant or licensee may be accepted by the commission if it is performed by a physician authorized to perform such examinations by the State in which the examination is conducted and if it is conducted in accordance with commission instructions, including the use of applicable forms prescribed by the commission".

Non-compliance with applicable rules and regulations could result in not fully protecting the health and safety of the athletes and the spectators at the event.

CSAC inspectors and/or officials either lack sufficient training or are not fully aware of all the policies, procedures and guidelines that are required for all CSAC events.

Recommendations:

- Athletic Inspectors should ensure no fighter's hands are wrapped without their supervision;
- Promoters should ensure security personnel are trained and fully understand their duties;
- Dressing rooms should be monitored by the Athletic Inspectors at all times;
- Drinks should not be served in aluminum cans;
- Officials, such as Doctors, should be trained on the use of acceptable forms.

Athletic Event Observation # 4 – LTD Productions

This amateur MMA and kickboxing event was to be held on November 17, 2012. The weigh-in was held at 11 a.m. and the event was to begin at 5 p.m. However, due to the promoter's failure to produce evidence of insurance coverage, the event was officially cancelled at 8:15 p.m. by the CSAC Executive Officer. Since the promoter could not

provide immediate refunds to all participants and spectators, nor make payment to officials, CSAC stated they would attach the promoter's bond to address the shortage.

Recommendation:

CSAC should not wait until the last minute to determine if a promoter has insurance coverage for an event. This should be determined in advance in order to reduce the impact on participants, the public, and event officials should cancellation become necessary.

Athletic Event Observation # 5 – OPP Productions

The IAO observed both the weigh-in and event at the Four Points Sheraton Hotel in Sacramento. The weigh-in went smoothly with no problems noted. CSAC also appeared to be properly supervising the event. We were asked to sign-in and given a badge by the promoter. We observed the pre-bout rules in the locker rooms which were two conference rooms in the main hotel building. We observed CSAC taking roll, and two fighters were determined to be missing from the locker rooms. Neither fighter could be located immediately during a search of the premises, so the CSAC Executive Officer determined the two fighters would be fined and drug tested. Upon their return each fighter was given a drug test. Since the samples did not immediately turn purple in color, each fighter was allowed to continue the bout. It was explained that had the samples turned purple, the fighters would have been immediately suspended.

CSAC also appeared to be repeatedly measuring the boxing ring. The CSAC Executive Officer explained there was not sufficient padding on the bottom rope. The promoter was sent to Home Depot to obtain insulation (padding) for the bottom rope. It was installed and later proved to be a major safety enhancement. During the final bout of the evening a boxer was knocked into the bottom rope. His neck made impact with the rope. The Executive Officer explained that without the additional padding the boxer could have broken his neck on the rope.

After the event the Executive Officer gathered the officials together to receive payment from the promoter and to review their performance during the event. The Executive Officer complimented the officials on a job well done as they had all performed properly during this event.

The only issue noted at the O.P.P. event concerns box office internal controls. After the event, the Chief Athletic Inspector will normally prepare a box office receipt, which he/she signs and certifies. The promoter is required to provide a ticket manifest and seating chart to document accurate sold and complimentary ticket counts for purposes of computing the amount due to CSAC for regulating the event. Regulations state that tickets are to be deposited into a sealed container which is opened after the event by CSAC. We noted that at this event the tickets were being kept in a padlocked plastic case similar to a fishing tackle box. The key to the padlock was kept in the possession of the promoter during the event. When asked for a ticket manifest at the end of the event, the promoter could only produce an invoice from the ticket printer showing the number of tickets printed. We observed CSAC attempting to count the tickets,

however, it was determined an accurate accounting could not take place. The Lead Athletic Inspector then rounded up the tickets and took them with him, stating they would be reconciled at a later date. It appeared some of the tickets had been sold by the boxers themselves, some were discounted from the face value on the tickets, and some were complimentary. Without a complete accounting of all of the ticket revenue, the box office could not be reconciled at the end of the event.

Recommendations:

Box office receipt requirements need to be enforced. Promoters are required to produce a ticket manifest and seating chart in advance of the event, and account for all tickets at the end of the event, in order to determine the proper gate taxes and fees due to CSAC. *See Athletic Event Observation # 9 for the complete applicable box office criteria.*

Athletic Event Observations # 6 and # 7 – Roy Englebrecht Promotions

The promoter had two events on subsequent nights held at the Orange County Fair in a venue called the Hangar. Over the course of four days, the IAO observed the weigh-ins and events for both. The first was a professional boxing and MMA event; the second was an amateur Muay Thai event, which was also partially regulated and overseen by CAMO (California Mixed Martial Arts Organization) under a delegation of authority agreement with CSAC.

The auditor noted the following internal control deficiencies at the weigh-in and the events:

- The weigh-in venue for the professional boxing/MMA event was changed to Hooters Restaurant without notifying CSAC headquarters;
- The music at Hooters was too loud; the ringside physician conducting the physicals could not hear the heartbeats of the licensees;
- The promoter started the weigh-in before being given approval to start by CSAC;
- Two fighters had the same last name, and their information was mixed up in the “who’s who” list provided by the commission;
- The commission did not forward the fight fax information and the Lead Athletic Inspector did not have access to the online database (fight fax is used to show the status of any current suspensions);
- The dressing rooms were left unsecured without an inspector during the event (only three inspectors were working at this event);
- Beer was sold in bottles at certain areas of the event.
- The promoter prepared the box office report the day after the events; he indicated he always prepares the report; although the lead AI signed the reports, he had no involvement in the preparation.

The following regulations were not adhered to:

- Standard Operating Procedure: Procedure for administration of California State Athletic Commission regulated events, 11-21-2012, section V.A states, “The

Chief Inspector will provide the bout card and fight faxes or mixed martial arts reports to the assigned office technician.”

- Standard Operating Procedure: Procedure for administration of California State Athletic Commission regulated events, 11-21-2012, Section III.C states, “Any unknown venues may be examined by the Executive Officer or designee for compliance with the rules of the commission.”
- CCR Title 4 Article 6 Physical Examinations and Safety § 300 Time for Examinations, states, “a thorough physical and eye examination shall be given each contestant by the commission-appointed physician at least one hour before the contestant enters the ring to compete”.
- Standard Operating Procedure, Procedures Prior to Event, 11-21-12, Section VII.E, states, “Once the athlete is checked in and all information is acquired the Lead Inspector will instruct the athlete to see the weigh in physician to be screened for a pre-fight exam. Athlete must pass pre-fight exam to compete.”
- Athletic Inspector Duty Statement (Section A – Event); Article 6 Physical Examinations and Safety § 295 Only Authorized Persons in Dressing Rooms states, “No one shall be allowed in the boxers’ dressing rooms except their manager, seconds, news media, and commission or club representatives. The club management shall furnish a doorman in dressing rooms to enforce this rule”
- CCR Title 4 Article 4. Conduct of Promotions § 253 Drinks, states, “Clubs shall be responsible to see that drinks are dispensed in paper cups.”

Recommendations:

- Athletic Inspectors should maintain control of the events at all times. They should ensure they have all required paperwork before allowing any weigh-in or event to continue;
- Athletic Inspectors should coordinate with the CSAC headquarters office on any changes of venue or changes in participants. They should ensure that event officials, such as physicians, are able to perform their required duties at the weigh-ins and events;
- CSAC should ensure there are enough Athletic Inspectors to oversee adequate safety of the athletes and observers at the events. CSAC should not attempt to regulate an event with less than four or five trained and competent athletic inspectors;
- CSAC management should conduct random spot checks and self-evaluations to ensure that the commission is fully in compliance.

Athletic Event Observation # 8 – Golden Boy Promotions

Auditors attended the Golden Boy professional boxing weigh-in (12/07/2012) in Los Angeles, and the event (12/08/2012) in Anaheim. The Golden Boy event was handled very smoothly and auditors noted that the only issue was too few Athletic Inspectors. Once again, this was during the time of the severe budget constraints, and only three inspectors were on hand. This left the usual holes in AI coverage, such as an inspector

was not on hand at all times in the dressing rooms. Auditors did not note any other deficiencies, other than the shortage of inspectors.

Athletic Event Observation # 9 – O.P.P., Roy Englebrecht, Rebel Fighter Box Office Receipts

At three of the observed events we evaluated box office receipt internal controls. We determined that none of the three events had adequate control or compliance with applicable regulations governing box office receipts.

Specifically, at all three events, including O.P.P, Roy Englebrecht and the Rebel Fighter events, the following issues were noted:

- A ticket manifest was not immediately available;
- A seating chart was not available;
- Only the promoter knew which tickets, and how many tickets, had been discounted;
- The box office was not totaled at the event;
- All tickets, whether discounted, complimentary, or Courtesy Passes looked the same;
- Fighters were selling tickets at a discount but no count was available;
- Tickets were not deposited into a sealed container;
- Tickets were kept in the possession of the promoter's staff during, and in some cases, after the event;
- There was no way to determine which tickets were complimentary;
- Show reports were not submitted within 72 hours after every event;
- The promoter prepared the box office report at one of these events.

The California Code of Regulations, Title 4, Business and Professions Code, Article 5, Control of Sales; Revenue cites several applicable criteria:

Section 260, Approval of Sale of Tickets, states (in part), "The sale of tickets to an event is prohibited until there is a current seating plan on file with the Commission applicable to the event's arena. Any change in seating plan submitted also shall be filed prior to the sale of any ticket intended for use with the changed arrangement."

Section 261, Complimentary Tickets, states (in part), "The promoter shall retain a clipped end of each complimentary ticket in the box office."

Section 266, Printing of Tickets, states (in part), "all tickets shall have the price, the name of the club and date of show printed or date stamped plainly thereon."

Section 267, Reduced Price Tickets, states (in part), "Any ticket for a boxing event sold for less than the printed price thereon shall be over-stamped with the actual price charged. The over-stamp shall be placed on the printed face of the ticket as well as the stub retained by the ticketholder."

Section 268, Color of Tickets, states, "Tickets of different prices shall be printed on cardboard of different colors. Use of passout tickets is prohibited unless the club receives written permission from the commission to use them."

Section 269, Ticket Inventories, states, "Promoters shall use only tickets from a printer approved by the commission or its authorized representative. Printers shall send by mail to the district office and to the Sacramento commission office a sworn inventory of all tickets delivered to any club. This inventory shall account for any overprints, changes or extras, and a printer's sample shall be attached. Promoters shall notify printers of this requirement."

Section 273, Ticket Stubs, states, "Under no circumstances shall a ticket holder be passed through the gate without having the ticket separated for the stud, or be allowed to occupy a seat unless in possession of the ticket stub. The ticket taker at the door shall separate the ticket from the stub and deposit the ticket in the locked ticket box provided."

Section 276, Counting Tickets, states, "The commission representative shall check numbers and places of ticket cans at gates and cause them to be sealed and padlocked, and after the show have them opened and tickets counted under his supervision."

Section 278, Show Reports, states, "Every club shall when applicable submit within 72 hours after the determination of every contest, match or exhibition for which an admission fee is charged and received, the following reports and documents on forms approved by the commission for each promotion it conducts or holds: (d) Itemized and specific statement under penalty of perjury showing the number of tickets issued or sold, the amount of the gross receipts of value thereof..."

Without adherence to these regulations, CSAC has no assurance that commission revenue is accurately calculated.

Recommendation:

CSAC should maintain control of ticket revenue by requiring the promoter to adhere to these box office regulations, so that revenue and fees are accurately calculated.

Enforcement Observations

Enforcement Observation # 1 – Delegation of Regulatory Authority Over Amateur Mixed Martial Arts

The commission delegated its regulatory authority over Amateur Mixed Martial Arts and Pankration CAMO in September, 2009. The delegation was provided in the form of a vague letter. Additionally, we noted the following conditions as it relates to the delegation:

- The delegation does not have an end/renewal date;
- The delegation fails to detail the specific expectations of CAMO;
- The commission has not done a performance review on CAMO on an annual basis since delegating its authority;
- CAMO has not provided written financial reports of receipts and disbursements within 90 days after each event, as required.

The delegation of authority occurred under Business and Professions Code Section 18646, which lists the following requirements, (a) through (f):

- (a) This chapter applies to all amateur boxing, wrestling, and full contact martial arts contests.
- (b) The commission may, however, authorize a nonprofit boxing, wrestling, or martial arts club or organization, upon approval of its by-laws, to administer its rules for amateur boxing, wrestling, and full contact martial arts contests, and may, therefore, waive direct commission application of laws and rules, including licensure, subject to the commission's affirmative finding that the standards and enforcement of similar rules by that club or organization meet or exceed the safety and fairness standards of the commission. The commission shall review the performance of any such club or organization annually.
- (c) Every contest subject to this section shall be preceded by a physical examination, specified by the commission, of every contestant. A physician shall be in attendance at the contest. There shall be a medical insurance program satisfactory to the commission provided by the amateur club or organization in effect covering all contestants. The commission shall review compliance with these requirements.
- (d) Any club or organization which conducts, holds, or gives amateur contests pursuant to this section, which collects money for the event, shall furnish a written financial report of receipts and disbursements within 90 days of the event.
- (e) The commission has the right to have present without charge or restriction such representatives as are necessary to obtain compliance with this section.
- (f) The commission may require any additional notices and reports it deems necessary to enforce the provisions of this section.

We identified the following potential risks to CSAC due to the vague delegation of authority:

- It would be difficult to propose and apply changes to the delegation without an end date to the existing delegation.
- Because the delegation is vague and provides limited detail as to the commissions' expectations/requirements, CAMO may implement rules or regulations that no longer coincide with the safety and fairness standards of the commission. Additionally, CAMO may be unable to fulfill the requirements of the delegation.
- Without having done a performance review on CAMO it would be difficult to determine if the organization is performing in accordance with the terms of their delegation.
- CAMO's failure to provide financial reports of all events within 90 days of the events results in non-compliance with the delegation, as well as late detection of errors and/or irregularities in accounting for event revenue and expenses.

Recommendations:

- The commission should establish terms of the delegation in writing. The terms should minimally include a beginning and end/renewal date.
- The delegation should spell out the specific expectations/requirements of the commission for CAMO, as outlined in Section 18646 of the Business and Professions Code.
- The commission should plan and conduct annual performance reviews of CAMO to ensure that it is in compliance with the terms of its delegation.
- The commission should ensure that CAMO is providing a financial report of receipts and disbursements within 90 days of each event.

Enforcement Observation # 2 – No Formal Complaint Process Exists

The last operational audit conducted by the IAO was in 2002. This audit included a follow-up of prior audit recommendations from the 2002 report. An interview with the new Executive Officer and Chief Athletic Inspector revealed CSAC had not taken any action to resolve deficiencies noted in the Enforcement process. Specifically, staff was unable to provide evidence that they have and are using a system to address complaints.

California Business and Professions Code, Section 18602.5(a)(5), states, in part, "The strategic plan shall include, but shall not be limited to, efforts to resolve prior State Athletic Commission deficiencies in the following areas: 5. Necessity for review and modification of organizational procedures, the licensing process, and the complaint process..."

As a result, a risk exists that legitimate concerns about safety of licensees or the practices of the commission are not being addressed nor resolved in a timely manner.

Recommendation:

CSAC should develop a process and written procedure for acknowledging, assigning, processing and resolving any complaints received.

Licensing Observations

One of the primary functions of CSAC is to license all participants in athletic events. This includes promoters, judges, referees, timekeepers, matchmakers, managers, and the athletes themselves. This licensing differs from the traditional licensing of other DCA boards and bureaus, in that much of it happens very close to the time of a scheduled athletic event, even in some cases the same day. This is complicated by the fact that many athletes and their associates travel from other countries in order to participate in the events. Therefore, a time crunch occurs just prior to an event when Athletic Inspectors are required to license all event participants. In the midst of this time crunch, much paperwork is done and not organized or filed in a way that facilitates easy retrieval of information.

Licensing files do exist within CSAC headquarters for judges, referees, matchmakers, promoters, managers and fighters. However, we found the documentation on file to be incomplete. The following are the audit observations by category for those licensing files found in the CSAC office.

Licensing Observation # 1 – Judges

The following attributes were tested:

- License Number,
- Date Application Received,
- Date Application Completed,
- Days Pending,
- \$150 licensing fee collected,
- 3 Years Prior Experience documented,
- Demonstrated Judging Proficiency,
- Competency Exam on file,
- Photo on file

A sample size of 20 judges licensing files was analyzed. Three files (15%) could not be located, and three files (15%) were not applicable due to being for MMA, not boxing, leaving 14 testable files (70%).

	License Number	Date App. Received	Date App Complete	Days Pending	Fee \$150	3 Years Prior Experience	Demonstrate Judging Proficiency	Competency Exam	Photos
Unable to Determine	0	3	0	3	0	3	0	0	0
YES	14	11	14	11	14	11	0	0	11
NO	0	0	0	0	0	0	14	14	3
Testable	14	14	14	14	14	14	14	14	14

As shown by the above table, we concluded the following:

- License Number, Date Application Completed, Fee \$150: 14 of 14 (100%) were properly documented in the file;

- Date Application Received & Days Pending: 3 of 14 (21%) did not display a date received which also made it difficult to determine the amount of time it took to complete the applications;
- 3 Years Prior Experience: 3 of 14 (21%) did not have at least three years of prior experience in the file to validate the applicants experience;
- Demonstrated Judging Proficiency and Competency Exam: 14 of 14 (100%) did not have supporting documentation on file to confirm that judges are able to demonstrate judging proficiency and that a competency exam was given;
- Photos: 3 of 14 (21%) did not have a photo on file.

CCR Title 4 Article 9, Referees and Judges, Section 379, states, "In order to be licensed as a judge for boxing contests, an applicant shall meet all the following:

- (a) Shall have been assigned by the California Athletic Commission for at least three years in such a capacity as to have judged, supervised or evaluated professional boxing judges.
- (b) Pass a written examination administered by the commission on the fundamentals of boxing, judging boxing contests and knowledge of California law and regulations relating to boxing.
- (c) These requirements may be waived for any applicant who possesses a current and valid license as a boxing judge in another state or country and has not been the subject of any disciplinary action.
- (d) Must have demonstrated prior experience in judging boxing contests and must demonstrate judging proficiency. Proficiency shall be determined by a commission representative or commission-appointed licensed referees or judges and the method of evaluations shall be approved by the commission."

Also, CCR Title 4 Article 2, Licenses and Applications Section 211, Fingerprints and Photographs, states, "(a) An applicant for any license issued by the commission shall submit two classifiable sets of fingerprints at the time the initial application is filed with the commission, or at such other times as deemed necessary by the commission. The applicant shall also furnish two passport-size photographs as required by the commission. (b) This rule applies to any of the following: (1) Sole proprietor; (2) Every partner in a partnership; (3) All members of a limited liability company; (4) Every shareholder, officer or director of a nonpublic corporation; and (5) Every officer and director of a public corporation."

Due to the incompleteness of the files, it is difficult to determine if existing judges possess all requirements to be properly licensed. If a judge does not possess all requirements this could result in increased risk to the health and safety of fighters. In addition, the lack of properly maintained files increases the liability of CSAC for licensing judges not possessing minimum qualifications.

Recommendation:

CSAC should create desk procedures and/or a procedures manual to guide staff in maintaining accurate files. Additionally, management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a judge until all licensing requirements have been received and documented.

Licensing Observation # 2 – Referees

The following attributes were tested:

- License Number,
- Date Application Received,
- Date Application Completed,
- Days Pending,
- Application Fee \$150 Collected,
- Prior Experience,
- Competency Exam on File,
- Physical Exam Report,
- 20/20 Vision,
- Demonstrated Speed & Agility,
- Demonstrated Proficiency,
- AC Clinic Date,
- Photo on File

A sample size of 18 referee licensing files was analyzed. One file (5.5%) was not located, leaving 17 testable files (94.4%).

	License Number	Date App. Received	Date App. Complete	Days Pending	Fee \$150	Prior Experience	Competency Exam ¹	Physical Exam Report	20/20 Vision	Demonstrate Speed & Agility	Demonstrate Proficiency ²	AC Clinic Date	Photos
UTD	0	6	0	7	0	2	0	1	0	2	0	0	0
YES	17	11	17	10	17	15	0	14	14	13	0	0	15
NO	0	0	0	0	0	0	17	2	3	2	17	17	2
Testable	17	17	17	17	17	17	17	17	17	17	17	17	17

As shown by the above table, we concluded the following:

- License Number: 17 of 17 (100%) were properly documented in the files;
- Date Application Received: 6 of 17 (35%) were unable to be determined because there was no date noted on the application indicating the date received;
- Date Application Complete: 17 of 17 (100%) were properly documented in the files;
- Days Pending: 7 of 17 (41%) were unable to determine the amount of time it took to complete an application because either the date application received and/or the date the application completed wasn't documented in the file;

- Fee \$150: 17 of 17 (100%) were properly documented in the files;
- Prior Experience: 2 of 17 (11.7%) were unable to be determined because prior experience was not documented in the files;
- Competency Exam: 17 of 17 (100%) did not have supporting documentation on file to confirm that a competency exam was given;
- Physical Exam Report: 1 of 17 (5.8%) was unable to be determined because there were two conflicting reports issued on the same day; One stated that the applicant passed the exam and the other stated that the applicant hadn't passed the exam; Additionally, 2 of 17 (11.7%) did not have a physical exam report on file;
- 20/20 Vision: 3 of 17 (17.6%) documents indicate that the applicant did not possess 20/20 vision;
- Demonstrated Speed & Agility: 2 of 17 (11%) were unable to be determined because of the lack of proper documentation on the physical exam; Additionally, 2 of 17 (11%) of the physical exams indicated that the applicant did not demonstrate speed & agility;
- Demonstrated Proficiency: 17 of 17 (100%) did not have supporting documentation on file to confirm;
- AC Clinic Date: 17 of 17 (100%) did not have supporting documentation on file to confirm;
- Photos: 2 of 17 (11%) did not have a photo on file.

CCR Title 4 Article 9, Referee's License, Section 371, states, "(a) In order to be licensed as a referee, an applicant shall meet all of the following requirements: (1) Have demonstrated prior experience in refereeing and judging boxing matches and perform in a series of training sessions as a referee to successfully demonstrate proficiency. Training sessions shall be conducted by a commission representative or commission appointed licensed referee(s) and shall be approved by the commission. (2) Be found after examination by a licensed physician to be physically and mentally fit to referee a boxing contest and to have uncorrected visual acuity of at least 20/100 in both eyes. Weight shall be proportionate to height in accordance with the standards of the American Medical Association in effect at the time of the effective date of this regulation. (3) Be in good physical condition with the speed and reflexes in the ring necessary for the protection of the boxers. (4) Pass a written examination administered by the commission on the fundamentals of boxing, refereeing and judging boxing matches and contests, and California law and regulations relating to boxing (5) Perform in a series of training sessions as a judge to successfully demonstrate proficiency. Training sessions shall be conducted by a commission representative or commission-appointed licensed referees or judges. (6) These requirements may be waived for any applicant who is licensed and in good standing with another state athletic commission or any commission-approved sanctioning body such as the World Boxing Council, World Boxing Association, International Boxing Federation, and World Boxing Organization. (7) In order to renew a referee's license, a referee shall comply with subsections (b) and (c) in addition to any other requirements for renewal set forth in the law or these

regulations. (b) A person who possesses a valid California license as a referee may judge a boxing contest without the need to obtain a judge's license.”

CCR Title 4 Article 9, Referees Physical Examination, Section 375, states, “(a) In addition to any other qualifications for referees established by the commission, each applicant for a boxing referee's license who has not been previously licensed and examined shall submit to an initial physical examination which shall include all tests necessary to determine an applicant's physical fitness, agility, reflexes, and reaction time as specified by the commission which examination shall be taken at a facility and by a physician or physicians specified by the commission. The cost of the examination shall be the responsibility of the applicant. (b) All boxing referees, in addition to being examined by a physician prior to officiating, shall submit to an annual regular examination to establish their physical fitness to perform as a referee.”

CCR Title 4 Article 2, Licenses and Applications, Section 211, Fingerprints and Photos, states, “(a) An applicant for any license issued by the commission shall submit two classifiable sets of fingerprints at the time the initial application is filed with the commission, or at such other times as deemed necessary by the commission. The applicant shall also furnish two passport-size photographs as required by the commission. (b) This rule applies to any of the following: (1) Sole proprietor; (2) Every partner in a partnership; (3) All members of a limited liability company; (4) Every shareholder, officer or director of a nonpublic corporation; and (5) Every officer and director of a public corporation.”

Due to the incompleteness of the files, it is difficult to determine if existing referees possess all requirements to be properly licensed. If a referee does not possess all requirements this could result in increased risk to the health and safety of fighters. In addition, the lack of properly maintained files increases the liability of CSAC for licensing referees not possessing minimum qualifications.

Recommendation:

CSAC should create desk procedures and/or a procedures manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a referee until all licensing requirements have been received and documented.

Licensing Observation # 3 – Matchmakers

The following attributes were tested:

- License Number,
- Date Application Received,
- Date Application Completed,
- Days Pending,
- Application Fee \$200 Collected,
- Competency Exam on File,
- Criminal Offender Record Information (CORI) Live Scan on File,

- Copy of Promoter Contract,
- Photo on File.

A sample size of nine matchmaker licensing files was analyzed. Three files (33.33%) were not located, leaving 6 testable files (66.67%).

	License Number	Date App. Received	Date App Complete	Days Pending	Fee \$200	Competency Exam	CORI	Copy of Promoter Cont.	Photos
Unable to Determine	1	0	1	1	0	0	0	0	0
YES	5	6	5	5	6	0	2	0	3
NO	0	0	0	0	0	6	4	6	3
Testable	6	6	6	6	6	6	6	6	6

As shown in the above table, we concluded the following:

- License Number, Date Application Complete, Days Pending: 1 of 6 (16.66%) was unable to be determined because a license was issued, however it was not in the file to confirm;
- Date Application Received, Fee \$200: 6 of 6 (100%) were properly documented in the files;
- Competency Exam: 6 of 6 (100%) did not have supporting documentation on file to confirm that a competency exam was given;
- CORI: 4 of 6 (66.66%) did not have a copy of a Live Scan on file;
- Copy of Promoter Contract: 6 of 6 (100%) did not have supporting documentation to confirm that a copy of the promoter contract was on file;
- Photos: 3 of 6 (50%) did not have a photo on file.

Business and Professions Code § 144 Criminal History Record Checks states in part, notwithstanding any other provision of law, an agency designated in subdivision shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.

CCR Title 4 Article 2 Licenses and Applications § 211 Fingerprints and Photographs states, an applicant for any license issued by the commission shall submit two classifiable sets of fingerprints at the time the initial application is filed with the commission, or at such other times as deemed necessary by the commission. The applicant shall also furnish two passport-size photographs as required by the commission.

CCR Title 4 Article 2 Licenses and Applications § 217 Matchmaker's License states, in order to be licensed as a matchmaker, an applicant shall pass a written examination administered by the commission on California laws and regulations relating to boxing. The examination may be waived if the applicant possesses a current and valid license

as a matchmaker in another state or country and has not been subject to any disciplinary action.

Due to the incompleteness of the files, it is difficult to determine if existing matchmakers possess all requirements to be properly licensed. If a matchmaker does not possess all requirements this could result in increased risk to the health and safety of fighters. In addition, the lack of properly maintained files increases the liability of CSAC for licensing matchmakers not possessing minimum qualifications.

Recommendation:

CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a matchmaker until all licensing requirements have been received and documented.

Licensing Observation # 4 – Promoters

We selected a sample of twenty promoter files to review for promoter requirements. Only 14 testable files were found. Of these, critical information was found to be missing from the files. Due to the high volume of dishonored checks from promoters (see Administrative Internal Control Observation #3), and the high number of financial difficulties such as lack of insurance or bond coverage, we believe promoter requirements are not strictly enforced enough. As seen in the testing documented below, 78% of promoter files did not contain documentation of adequate insurance coverage. An additional 64% of the files did not contain financial statements documenting sufficient cash on hand. This results in a high risk of liability to the State for sanctioning events without adequate insurance, and increases the risk of financial loss to the state when promoters cannot meet their financial obligations.

The following attributes were tested in the promoter files:

- License Number,
- Date Application Received,
- Date Application Completed,
- Days Pending,
- \$100 licensing fee collected,
- Matchmaker,
- Complete Operational Control,
- Competency Exam on file,
- Required Safety Features,
- Criminal Offender Record Information (CORI) Live Scan on file,
- \$50,000 Bond,
- Medical Insurance,
- Financial Statement,
- Proprietary Interest Statement,

- Resume,
- Photo on file

A sample size of 20 promoters was analyzed. Six files (30 %) were not located, leaving 14 testable files (70%).

	License Number	Date App. Received	Date App Complete	Days Pending	Fee \$1000	Match-maker	Complete Operational Control ¹	Competency Exam ²	Required Safety Features ³	CORI	\$50,000 Bond ⁴	Med Ins ⁵	\$50,000 Financial Statement ⁶	Proprietary Interest Statement	Resume	Photos
Unable to Determine	2	5	2	6	1	0	0	0	0	0	0	0	0	0	0	0
YES	12	9	12	8	13	4	0	0	0	10	10	3	5	14	11	12
NO	0	0	0	0	0	10	14	14	14	4	4	11	9	0	3	2
Testable	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14

As shown by the above table, we concluded the following:

- License Number: 2 of 14 (14%) were unable to be determined because the license was not in the file to confirm;
- Date Application Received: 5 of 14 (35.7%) were unable to determine because there was no date noted on the application indicating the date received;
- Date Application Complete: 2 of 14 (14%) were unable to determine, because there was no date noted on the application confirming when the office completed the application;
- Days Pending: 6 of 14 (42.8%) were unable to determine the amount of time it took to complete an application because either the date application received and/or the date the application completed wasn't documented in the file;
- Fee \$1000: 1 of 14 (7%) were unable to be determined because of the lack of documentation in the file;
- Matchmaker: 10 of 14 (71%) were not matchmakers; however the name of the matchmaker was properly documented;
- Complete Operational Control: 14 of 14 (100%) did not have supporting documentation on file to show complete operational control;
- Competency Exam: 14 of 14 (100%) did not have supporting documentation on file to confirm that a competency exam was given;
- Required Safety Features: 14 of 14 (100%) did not have supporting documentation to confirm that the required safety features were on file;
- CORI: 4 of 14 (30.6%) did not have a copy of a Live Scan on file;
- \$50,000 Bond: 4 of 14 (30.6%) did not have supporting documentation to confirm that a bond in the proper amount was on file;
- Medical Insurance: 11 of 14 (78.5%) did not have supporting documentation to confirm medical insurance information was on file;
- \$50,000 Financial Statement: 9 of 14 (64.2%) did not have supporting documentation to confirm that a current (within 60 days of application) financial statement was on file;
- Proprietary Interest Statement: 14 of 14 (100%) have supporting documentation to confirm that the proprietary interest statement was on file;
- Résumé: 3 of 14 (21%) did not have a résumé on file;
- Photos: 2 of 14 (14%) did not have a photo on file.

Business and Professions Code § 144 Criminal History Record Checks, states in part, “Notwithstanding any other provision of law, an agency designated in subdivision shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.”

Business and Professions Code 18665 Applications, states, “All applications for a promoter's license shall contain a true statement of all persons connected with or having a proprietary interest in the promoter. Any person connected with, or having a proprietary interest in, an applicant for a promoter's license shall provide the commission with such financial information, or access to such financial information, as the commission deems necessary in order to determine whether the applicant is financially responsible. Any application for a promoter's license shall be signed under penalty of perjury by the sole proprietor, a general partner, or an officer of the corporation or association, as the case may be.”

Business and Professions Code 18666 Applications, states, “All promoters shall submit in writing for prior approval by the commission, any change at any time in the persons connected with or having a proprietary interest in the promoter, including any change in the shareholders of a corporate entity.”

Business and Professions Code 18667 Applications, states, The commission shall not issue any promoter's license to an applicant unless the commission is satisfied that the applicant is the real party in interest, and intends to conduct, hold, or give such contests itself. In no case shall the commission issue a license to a promoter unless, the promoter will receive at least 25 percent of the net receipts of any promotion.”

CCR Title 4 Article 2 Licenses and Applications § 211 Fingerprints and Photographs, states, An applicant for any license issued by the commission shall submit two classifiable sets of fingerprints at the time the initial application is filed with the commission, or at such other times as deemed necessary by the commission. The applicant shall also furnish two passport-size photographs as required by the commission.”

CCR Title 4 Article 2 Licenses and Applications § 213 Promoter's License, states, In order to be issued a boxing promoter's license, an applicant shall meet all the following requirements: (a) An applicant shall demonstrate financial responsibility. For purposes of section 18665(b) of the code, “financial responsibility” means no less than \$50,000 in cash or the equivalent in liquid assets as demonstrated by the applicant’s financial statement. The financial statement shall be prepared by and be on the letterhead of a certified public accountant within sixty (60) days of the date the application is filed. (b)An applicant shall demonstrate either that the applicant possesses the necessary knowledge and experience to act as a promoter or employs a person whose possesses those qualifications. (c)The bond required by section 18680 of the code, which shall be set by the commission in an amount no less than \$50,000. (d)The fee specified in

section 18804 of the code. (e) Evidence that the applicant is in compliance with Rule 290 regarding medical insurance. (f) The applicant shall meet the requirements for licensure as a matchmaker, or in the alternative submit evidence that the promoter employs a licensed matchmaker. (g) An application for promoter’s license shall be signed by an owner or officer of the applicant.”

Due to the incompleteness of the files, it is difficult to determine if existing promoters possess all requirements to be properly licensed. If a promoter does not possess all requirements this could result in increased risk to the health and safety of fighter. In addition, if promoters do not possess the financial resources, insurance, or bond coverage required, this presents a financial risk to the state.

Recommendation:

CSAC should create desk procedures and/or procedures manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a promoter until all licensing requirements have been received and documented.

Licensing Observation # 5 – Managers

The following attributes were tested:

- License Number,
- Date Application Received,
- Date Application Completed,
- Days Pending,
- \$150 licensing fee collected,
- Competency Exam on file,
- Criminal Offender Record Information (CORI) Live Scan on file,
- Proprietary Statement,
- Photo on file

A sample size of 14 managers licensing files was analyzed. Four files (28.57%) were not located, leaving 10 testable files (71.43%).

	License Number	Date App. Received	Date App Complete	Days Pending	Fee \$150	Competency Exam	CORI	Proprietary Statement	Photos
YES	10	10	10	10	10	0	3	10	5
NO	0	0	0	0	0	10	7	0	5
Testable	10	10	10	10	10	10	10	10	10

As shown in the above table, we concluded the following:

- License Number, Date Application Received, Date Application Completed, Days Pending, Fee \$150: 10 of 10 (100%) were properly documented in the files;

- Competency Exam: 10 of 10 (100%) did not have supporting documentation on file to confirm that a competency exam was given to the managers;
- CORI: 7 of 10 (70%) did not have a copy of a Live Scan on file;
- Proprietary Statement: 10 of 10 (100%) were properly documented in the files;
- Photos: 5 of 10 (50%) did not have a photo on file.

Business and Professions Code § 144 Criminal History Record Checks, states in part, “Notwithstanding any other provision of law, an agency designated in subdivision shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.”

Business and Professions Code 18673 Applications, states, All applications for a manager's license shall contain a true statement of all persons connected with, or having a proprietary interest in, the management of the boxer or martial arts fighter. Any application for a manager's license shall be signed under penalty of perjury by the sole proprietor, a general partner, or an officer of the corporation or association, as the case may be.”

Business and Professions Code 18674 Applications, states, “ All managers shall submit in writing, for prior approval by the commission, any change at any time in the persons connected with or having a proprietary interest in the management of the boxer or martial arts fighter, including any change in the shareholders of a corporate entity.”

CCR Title 4 Article 2 Licenses and Applications § 211 Fingerprints and Photographs, states, “An applicant for any license issued by the commission shall submit two classifiable sets of fingerprints at the time the initial application is filed with the commission, or at such other times as deemed necessary by the commission. The applicant shall also furnish two passport-size photographs as required by the commission.”

CCR Title 4 Article 2 Licenses and Applications § 218 Manager's, Second's and Timekeeper's License ,states, “In order to be issued a boxing manager's license, an applicant shall pass a written examination administered by the commission on the fundamentals of boxing, the management of boxers, and California laws and regulations relating to boxing. The examination may be waived if the applicant possesses a current and valid license as a boxing manager in another state or country and has not been subject to any disciplinary action.”

Due to the incompleteness of the files, it is difficult to determine if existing managers possess all requirements to be properly licensed. If a manager does not possess all

requirements this could result in increased risk to the health and safety of fighter. In addition, the lack of properly maintained files increases the liability of CSAC for licensing managers not possessing the minimum qualifications.

Recommendation:

CSAC should create desk procedures and/or procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a manager until all licensing requirements have been received and documented.

Licensing Observation # 6 – Professional Boxers

CSAC maintains licensing information for each professional boxer in paper file format located in the storage room. The material within these files is not organized in a systematic manner. In order to locate specific documents, such as medical exams, one would need to methodically search through numerous forms. This is challenging because an expiration date applies. This means staff must be vigilant when verifying the correctness and validity of documents. Until a new database is installed CSAC will continue to rely mostly on paper files.

CSAC also uses an outdated, unreliable system known as Athcom to verify fighter information. According to CSAC, Athcom is unable to perform as designed. CSAC uses the “who’s who” spreadsheet as a working document to track fighter information such as applications, medical exams, etc., rather than relying on Athcom. Time permitting, staff inputs personal applicant data into Athcom and retains this data for future tracking purposes. This condition results in two recordkeeping systems used – the “who’s who” spreadsheet and the Athcom system. At the end of a boxing event, the “who’s who” spreadsheet is filed with the event packet. Ideally, the fighter information in the spreadsheet should be transferred onto Athcom. By design, Athcom only accepts an applicant’s personal data, so it is not a complete database. In reality, due to time constraints, this personal data is not transferred timely, if at all.

We selected a sample of 31 professional boxer licenses to verify. Three could not be found, resulting in 28 testable files.

We tested the following attributes:

- Federal Identification Cards
- Date Application Received
- Date Application Completed
- Days Pending
- Application Fee \$60 Collected
- HIV/HVC/HBV Report on File
- Neurological Exam Report on File
- Physical Exam Report on File
- Eye Exam Report on File
- MRI (GRE eff.1/1/12)

- MRI Summary on File
- EKG on File
- Cardio History on File

The following table summarizes the results of the testing:

	License Number / Federal Identification	Date App. Received	Date App Complete	Days Pending	Fee \$60	HIV/ HVC/ HBV Report	Neuro Exam Report	Physical Exam Report	Eye Exam Report	MRI + GRE (GRE #1 01/13/2016)	MRI Summ	EKG	Cadio Summ	Ability to Perform	Boxing Record	Federal ID Card	Pension Form/ Letter	Health & Safety Disclosure Form/Letter	Fingerprints	Photo
UTD	0	0	0	6	2	0	0	0	0	0	0	0	0	0	0	0	28	0	N/A	0
YES	28	22	26	3	22	27	24	26	26	27	26	26	26	1	21	1	0	0	N/A	9
NO	0	6	2	19	4	1	4	2	2	1	2	2	2	27	7	27	0	28	N/A	19
Testable	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28	0	28

As shown in the above table, we concluded the following:

- License Number: 28 of 28 (100%) were properly documented in the files;
- Date Application Received: 6 of 28 (21%) did not show the date received;
- Date Application Completed: 2 of 28 (7%) did not show the date completed;
- Days Pending: 19 of 28 (68%) did not show how long the application was pending;
- Fee \$60: 4 of 28 (14%) did not have supporting documentation that the application fee was received;
- HIV/HVS/HBC Report: 1 of 28 (4%) did not have supporting documentation on file to confirm test was taken;
- Neurological Exam Report: 4 of 28 (14%) did not have supporting documentation on file to confirm exam was given to the boxer;
- Physical Exam Report: 2 of 28 (7%) did not have supporting documentation on file to confirm exam was given to the boxer;
- Eye Exam Report: 2 of 28 (7%) did not have supporting documentation on file to confirm exam was given to the boxer;
- MRI + GRE: 1 of 28 (4%) did not have supporting documentation on file to confirm;
- MRI Summary: 2 of 28 (7%) did not have supporting documentation on file to confirm;
- EKG: 2 of 28 (7%) did not have supporting documentation on file to confirm;
- Cardio Summary: 2 of 28 (7%) did not have supporting documentation on file to confirm;
- Ability to Perform: 27 of 28 (96%) did not have supporting documentation on file to confirm;
- Boxing Record: 7 of 28 (25%) did not have supporting documentation on file to confirm the boxers record;
- Federal ID Card: 27 of 28 (96%) did not have supporting documentation on file to confirm;
- Pension Form/Letter: 28 of 28 (100%) were unable to determine.
- Health & Safety Disclosure Form/Letter: 28 of 28 (100%) did not have supporting documentation on file to confirm,
- Fingerprints: Not Applicable;
- Photos: 19 of 28 (68%) did not have a photo on file.

California Code of Regulations, Title 4, Sections 210, 214, 280, and 282 apply as follows:

Section 210, Application for License: Contents, Falsification, states, “Applications for licenses shall be in writing on a form supplied by the commission and shall be verified under oath by the applicant. Every license issued shall be subject to the conditions and agreements set forth in the application therefor, the statutes and laws relating to boxing and the rules and regulations of the commission.”

Section 214, Professional Boxers License – HIV/HCV/HBV Testing, states, “(a) As used in Section 18712(a) of the code: (1) the phrase ‘within 30 days prior to the date of application’ means that the blood test will be accepted for licensure purposes for 30 days from the date of the test report. (2) The phrase, ‘documentary evidence satisfactory to the commission’ means the original or a copy of the test report on letterhead of the laboratory, accompanied by the applicant’s declaration under penalty of perjury that the report represents the applicant’s HIV/HCV/HBV test results.”

Section 280, Examination of Boxer Applicants, states, “(a) Any boxer applying for a license or renewal thereof shall be examined by a physician currently licensed by this state to establish both physical and mental fitness for competition. Such examination shall be taken at such time as directed by the commission. Any boxer licensed by the commission who participates in a boxing match or contest outside the State of California may be required, upon his return to California, to again take this examination before being allowed to box in California. The results of such contests shall be reported to the nearest commission office by the licensee within 72 hours of his return to California. (b) An examination of an applicant or licensee may be accepted by the commission if it is performed by a physician authorized to perform such examinations by the state or nation in which the examination is conducted and if it is conducted in accordance with commission instructions, including the use of applicable forms prescribed by the commission.”

Section 282, Vision Requirements, states, “The commission shall deny, suspend, revoke, or place restrictions on the license of a professional or amateur boxer if it determines that the applicant or licensee cannot safely engage in boxing activities because of a visual condition ...”

Recommendation:

CSAC should create desk procedures and/or procedures manual to guide staff in maintaining accurate licensing files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a boxer until all licensing requirements have been received and documented.

Licensing Observation # 7 – Lack of Written Licensing Procedures for CSAC Headquarters Employees

CSAC headquarters employees have no written desk procedures to guide them in processing fighter applications in the office. Two office technicians are responsible for

collecting, reviewing, and verifying fighter information for completeness and accuracy. Both of these employees had been on the job for less than 12 months at the time of our audit field work. With no written procedures to guide them in licensing, they have been forced to learn “on the job” from their predecessor or another CSAC employee. In an organization that has experienced high staff turnover, the break in continuity increases the risk of errors and irregularities in the licensing process.

It is vital to the safety of fighters to ensure that each competitor entering the ring is physically and mentally fit to fight. Therefore, it is imperative that a set of well-documented licensing procedures be established to ensure staff correctly and consistently issues licenses in accordance with the rules and regulations governing the Commission and its licensees.

SAM Section 20050 states in part, “...Internal Administrative controls comprise the methods and procedures that address operational efficiency and adherence to management policies.”

This condition was noted in the prior CSAC operational audit (2003) but was never fully addressed by CSAC.

Recommendation:

Written procedures should be established to guide office staff with licensing activities.

Licensing Observation # 8 – Inefficient Computer Database

The CSAC does not have an adequate database system to monitor its operations. Only 8 of 10 modules are used in the present system (AthCom) for tracking fighter information. The 10 modules are: Timekeepers, referees, judges, promoters, managers, seconds, physicians, professionals, amateurs, and matchmakers. The amateur fighter module is basically “broken” because it does not load properly. A record loaded under one name can sometimes load incorrectly onto another name. The timekeeper’s module is not kept current. The remaining files are kept current but there is very little activity in them.

AthCom has a limited ability to query and produce management reports. For instance, you can query the “Professional Licenses Status” file but the most information you can extract in report format are licenses by name, phone, DOB, issue date, and expiration date. It does not give you the date of the application, information such as recent physical, neuro or eye exams, lab tests, etc. This information is located in fighter files in hard copy or in PDF format in the office technician’s work computer. The latter is a new procedure that may eventually lead to a paperless filing system. The remaining modules in AthCom do work, but are infrequently accessed because of the small number of entries available.

In addition, boxing and MMA fighters all fall under the “Professional” category. They are not separated. Hence, AthCom lacks the ability to extract desired information. For instance, the total boxer universe downloaded for audit purposes is not correct because

the “Professional” category has not been updated faithfully. Also, it does not track suspensions and complaints. Both functions are done in-house by the commission. However, there is a website that tracks suspensions for the health and safety of the fighter.

Equally important is the lack of a user manual to get full utilization out of the database system. AthCom is a Microsoft ACCESS based system that stands alone, home built by a student assistant that the DCA, Office of Information Services does not support. It is outdated and inefficient. Staff still has to rely on backup hard copy files and Microsoft electronic spreadsheets to document that a fighter is physically and mentally fit to fight. Finally, there are no backup disks to recover lost data if the system should fail.

SAM Section 5335.1, Information Integrity and Data Security states, in part, “...the accuracy and completeness of information systems and the data maintained within those systems should be a management concern. Each agency must establish controls to ensure that data entered into and stored in its automated files and data bases are complete and accurate, as well as ensure the accuracy of disseminated information. Depending on the nature of the information being protected and the threats, to which it is subjected, additional measures may be required to ensure the integrity and security of automated files and databases can range from password protection to encryption.”

SAM Section 5335.2, Personal Computer Security, states, “Information maintained in a personal computer system, including laptop computers and mobile devices, must be subjected to the same degree of management control and verification of accuracy that is provided for information that is maintained in other automated files. Files containing confidential or sensitive data (as defined in SAM Section 5320.5) should not be stored in personal computer systems unless the agency can demonstrate that doing so is in the best interest of the state and that security measures have been implemented to provide adequate protection. Proposals to use desktop or laptop computers to maintain or access files containing confidential or sensitive data as defined in SAM Section 5320.5, must be approved by the agency’s Information Security Officer (SAM Section 5315.1) before implementation. “

The inefficient database basically exists due to a lack of available funding. CSAC will eventually be incorporated into the DCA’s BreEZe system. However, due to the specific needs of CSAC they are scheduled to be one of the last recipients of BreEZe technology.

The effect of the outdated technology is inefficiency and manually driven processes, resulting in increased level of effort and time needed to obtain information. Also, CSAC lacks the ability to generate ad-hoc management reports suitable for decision-making.

Recommendation:

CSAC should do whatever they possibly can to work with the BreEZe team to get ready to transition to the new system as soon as they can be accommodated.

For the current patchwork of systems in use, CSAC should consult with the DCA Information Security Office to ensure data is adequately secured while waiting to transition to the BreEZe system.

Administrative Internal Control Observations

The DCA audit committee asked that we include basic state internal controls required by the SAM as part of the scope of our audit. As explained in the scope section of this report, we made every effort not to duplicate the work being done by the Bureau of State Audits (BSA). Thus, this section is not a comprehensive SAM 20000 audit. Since it did not appear BSA would audit cash receipts at athletic events, we included it in our scope. We also included the area of accounts receivables (including employee receivables, promoter receivables, and event participant receivables such as unpaid licensing and enforcement fees). In addition, we included personnel/payroll, contracts, and purchasing requirements of the SAM within our scope of work.

Administrative support and guidance by DCA is offered to every board, bureau, or commission under the DCA in these areas. In some cases the deficiencies noted also reflect issues found on the DCA support side. We anticipate these issues will be addressed by DCA management in each area for purposes of responding to this draft report.

Administrative Internal Controls Observation # 1 - Cash Receipts

Cash receipts are not adequately safeguarded in the CSAC headquarters office. The receipts are stored in a locked cubicle cabinet, however, this is not sufficient to safeguard against theft or misappropriation. Good business practices require that cash and cash equivalents be stored in a safe. Although CSAC has a safe, both the combination and key have been lost, rendering it useless. In addition, the existing safe is not anchored to the building.

SAM section 8025, Placement of Safes for Security Purposes, states that, "As a deterrent to burglary, State Agencies will securely anchor a safe to the building..."

CSAC does not have written desk procedures delineating how cash and cash equivalents are to be safely stored. In addition, high staff turnover at CSAC contributed to the problem, since the existing safe combination and key have been lost.

Recommendation:

Written desk procedures should be created as a guide for employees handling cash and cash equivalents. The safe combination and key should be changed to provide a safe place to store these items. In addition, if the safe is used it should be securely anchored to the building or otherwise secured.

Administrative Internal Controls Observation # 2 - Payroll Accounts Receivables

The CalSTARS D03 (Disbursements) report lists ten accounts receivable for current and former employees of CSAC. Standard collection procedures outlined in the SAM are to notify the employee of the receivable using a sequence of three letters. If there is no response to the letters the receivable is sent to the Franchise Tax Board for collection. However, prior to the current year (2012-2013) this has not been the process in place at DCA.

The process to ensure that timely collection efforts are made on payroll accounts receivables is inadequate, as follows:

- The employee is not notified that an accounts receivable has been set up;
- No supporting documents (three letters of notification and reasons for accounts receivable set up) are maintained at DCA personnel or accounting;
- Collections are not made timely;
- The three year statute of limitations is allowed to expire prior to any collection efforts being taken.

SAM section 8776, Accounts Receivable, states, in part, “Departments must ensure Accounts Receivable is recorded promptly and accurately into the accounting system. Departments will review and reconcile Accounts Receivable in the accounting system to the Accounts maintained in departmental records.”

There was no coordinated effort by DCA personnel and accounting to set up and collect payroll accounts receivables.

Recommendation:

To ensure timely collection of accounts receivables, a coordinated effort needs to occur between DCA personnel, accounting, and CSAC. The requirements of timely notification, and adequate supporting documentation in the form of the three letters of notification should be adhered to.

Administrative Internal Controls Observation #3 - Accounts Receivable – Dishonored Checks from Promoters and Athletes

Internal controls over the accounts receivable process for dishonored checks needs improvement. These checks are received from promoters and athletes in the field. Supporting documentation for these receivables was incomplete, both at CSAC and at DCA accounting. Using the CALSTARS D16, Dishonored Checks, we attempted to reconcile with records both at CSAC and DCA accounting. Both CSAC and DCA Accounting records varied significantly from the D16 report, and from one another, as follows:

	Dollar Amount	Supporting Docs	No Supporting Docs	Percentage of ARs without Supporting Docs
D16	\$ 66,563.24			
DCA Accounting		\$ 46,149,39	\$ 20,413.85	31%
CSAC		\$ 28,931.27	\$ 37,631.97	57%

As shown in the above table, CALSTARS shows a balance of \$66,563 from dishonored checks. CSAC records could not support \$37,631. DCA accounting could not support

\$20,413. In addition, the support on file at CSAC and DCA did not reconcile (i.e. they do not show all of the same receivables as outstanding). This shows there is inadequate accounting for dishonored checks both at CSAC and DCA.

SAM Section 8776, Accounts Receivable, states, in part, “Departments must ensure Accounts Receivable are recorded promptly and accurately into the accounting system. Departments will review and reconcile Accounts Receivable in the accounting system to the Accounts Receivable recorded by the State Controller’s Office and/or those Accounts Receivable maintained in departmental records. Sufficient documentation should exist to support the Accounts Receivable. For example, the department must have the debtor name and an invoice or other document identifying the amount owed.”

Uncollected Accounts Receivable results in a loss of state funds.

Recommendation:

All supporting documentation for dishonored checks should be maintained at both DCA and CSAC until collections have been resolved. The supporting documentation should be reconciled monthly by DCA Accounting and CSAC to ensure collection activities are complete and timely.

Administrative Internal Controls Observation # 4 – Cal-Card Purchasing

Internal Controls over Cal Card purchasing are inadequate. For the eleven purchases reviewed (100% of Cal-Card purchases for 2011/12) the following deficiencies were noted:

- 27% (3 of 11) Cal-Card packets were not available for review at CSAC;
- 90% (10 of 11) of the Cal-Card packets did not contain all documents required for processing;
- 72% (8 of 11) of the purchases tested had dollar amounts on the Cal-Card documents that did not match the Detail of Expenditure report (CALSTARS H10);
- 82% (9 of 11) of Cal-Card statements were not signed and dated by both the preparer and the reviewer;
- 82% (9 of 11) of the Cal-Card purchases were not supported by original purchase documents;
- 50% (5 of 10) of the Cal-Card packets were not submitted timely to DCA business services.

In addition to the above, no signed and dated Cal-Card authorization form was available for audit.

The Cal-Card Cardholders and Approvers Memorandum of Understanding (MOU) define the responsibilities of both cardholder and approver with regard to use of the Cal-Card. The MOU includes the laws, rules, regulations, policies, procedures and best business practices for procuring goods using Cal-Card. These include but are not limited to:

- Retaining Cal-Card packets per document retention policies;
- Retaining all required documents for the processing of the Cal-Card packet;
- Requiring Cal-Card statements to be signed and dated by both the cardholder and the approver;
- Requiring purchases be supported by original documents;
- Timely submission of Cal-Card packets to DCA Business Services.

In addition, the Cal-Card Procurement manual requires that the Cal-Card MOU must be signed and dated by the cardholder, the approver, and Cal-Card Coordinator prior to any use of the Cal-Card.

SAM Section 8474, Late Payment Penalties, states, “To avoid late payment penalties, the maximum time from state agency receipt of an undisputed invoice to issuance of a warrant for payment is 45 days. State agencies shall pay penalties if a correct claim schedule is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days from the receipt date.”

The lack of desk procedures for training purposes and high employee turnover has contributed to these issues. In the case of the authorization form, the DCA Cal-card coordinator did not respond to requests for documentation.

These conditions could result in unauthorized use of the Cal-Card and/or unauthorized purchases being made.

Recommendations:

- Written desk procedures should be developed delineating the rules for the use of the Cal-Card and the processing and retention of Cal-Card documents;
- Training should be provided to both the cardholder and the approver that would prevent the payment of penalties for non-adherence to the California prompt payment Act;
- A signed and dated copy of the Cal-Card authorization form allowing purchases by the Cal-Card holder should be made available for audit purposes; These need to be kept current through changes in Cal-Card purchasers and approvers.

Administrative Internal Controls Observation # 5 – Contracts

We determined that CSAC does have three active contracts. These include:

- 1) Regents of the University of California
- 2) Raymond James Financial Services, Inc.
- 3) Benefits Resources

There are inadequate internal controls over CSAC contracts as follows:

- CSAC has no desk procedures governing how they are to manage contracts;

- CSAC staff did not know if there were any contracts or how payments were made to CSAC contracts;
- No annual reports of contracts and contract payments are maintained at CSAC;
- No contract files are maintained at CSAC;
- No monitoring of contracts to ensure compliance with contract provisions or payments is being performed.

SAM section 20050, Internal Controls, states, in part, “Each system an entity maintains to regulate and guide operations should be documented through flowcharts, narratives, desk procedures, and organizational charts.”

State Contracts Manual, Section 9 delineates the responsibilities of contract management including;

- Responsibilities of a Contract Manager (Section 9.04)
- Record Keeping (Section 9.09)
- Performance of the Contractor (Section 9.10)
- Retention of Contract Records (Section 9.16)

These conditions are a result of high staff turnover and a lack of consistent staff training. To receive maximum benefit from a contract, it should be monitored for appropriate compliance with contract provisions. Someone should also be monitoring to ensure contract maximums are not exceeded. Failure to monitor state contracts can result in a loss of state funds through waste, inefficiency or both.

Recommendations:

- CSAC should designate a contract manager at CSAC for each contract; the manager should ensure it is utilized to the fullest extent to maximize efficiency;
- Contracts should be consistently monitored for effectiveness, compliance and proper payment;
- Desk procedures monitoring contracts should be written;
- Contract files should be maintained at CSAC;
- CSAC staff with contract monitoring duties should attend training on administering contracts.

Administrative Internal Controls Observation # 6 – Nepotism Policy not Enforced

Four instances of nepotism among employees exist within CSAC. Auditors identified a husband/wife and brother/brother working as Athletic Inspectors who report to the same supervisor or could supervise each other if in the Lead Inspector role. In addition, employees are not accurately reporting and updating their relationships on the Verification of Hiring Relatives, Form HR-04 (Form HR-04). Supervisors and managers are not adequately verifying familial/personal relationships. Nepotism could affect or adversely influence assignments, upward mobility of other employees and the safety of events, the morale, and the fair and impartial supervision and evaluation of Athletic Inspectors.

California Department of Consumer Affairs Nepotism policy, PER 02-05, states, "It is the policy of the Department to prohibit the practice of nepotism in any departmental board, bureau, division, committee, commission, program or work unit. Employees shall not use their organizational position, power, or influence to aid or hinder other persons in securing employment, promotions, appointments, project assignments, or other employment benefits solely because of a familial or personal relationship. Employees who engage in nepotism, or conceal or fail to report a relationship may be subject to disciplinary action, up to and including dismissal. "

In addition, the policy states, that "Employees who have a familial or personal relationship could have duties or organizational status altered as a result of the relationship. Program duties and geographic location could be considered. Managers and Supervisors are responsible for arranging working relationships to avoid both actual nepotism and also the appearance of nepotism that could damage the perception of impartial business practices."

Recommendation:

CSAC should ensure that existing familial or personal relationships adhere to the nepotism policy. Supervisors and Managers should review and approve Form HR -04's to ensure adherence to the policy.

Administrative Internal Controls Observation # 7 – CSAC Employee Separation Procedures not Completed Timely; Non-Adherence to AB 2410

Nine CSAC employees separated from their positions during the audit period. A review of separated employee files at CSAC revealed only one file contained a Form HR-15 (Notice of Employee Separation). Only one file contained a Form 99K-35B (Inventory of Property/Equipment Issued). Subsequently, the IAO requested the forms from DCA Human Resources. It was determined that 7 of the vacated positions did not have the HR-15 on file in the HR office.

The HR-15 is critical to processing final payment of wages in accordance with Assembly Bill (AB) 2410, which was effective January 1, 2001. The AB 2410 requires wages earned and paid leave time on the books to be paid immediately, usually defined as 72 hours from the date of separation. Under AB 2410, the employer must pay penalties of up to thirty (30) days of continued wages for failure to make timely payment of earned and unpaid wages.

Of eight employee separations sampled, final pay was not issued within 72 hours of separation for five employees. Two took ten days, two took fourteen days and one took 42 days. For the other three, the IAO could not determine the date of the final payment.

DCA Personnel Procedures Handbook section 800 states, "If the payment of final wages is delayed due to the failure of the program to notify the personnel office, any penalties assessed shall be paid from the program's budget. If the payment of final wages is delayed due to the Personnel Office, any assessed penalties shall be paid from the Office of Human Resources budget."

In any case, incurring unnecessary penalties due to late processing of separation paperwork is a wasteful practice which should be avoided.

Also, it is critical that any CSAC passwords, network access, building access, computer or other equipment is rescinded when an employee separates to avoid a loss of state funds.

The probable cause of the issue is untrained staff and high turnover within the CSAC office.

Recommendation:

CSAC should establish and train an Attendance Coordinator to address separations, as well as other HR liaison duties. In the interim, a supervisor/manager should notify the OHR at DCA immediately of any employee separating so that payroll records are accurate, any state equipment or system access is rescinded, and final payment of wages is made within the provisions of AB 2410.

Attachment 1 – California State Athletic Commission Response



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March 6, 2013

Ms. Cathleen Sahlman,

The California State Athletic Commission would like to thank you and your team for the hard work that went into conducting this audit. I have reviewed your recommendations and attached an Audit Response Matrix, which will provide an outline of the recommendations and our estimated progress.

As you will see in the matrix, many of the recommendations have been started and a significant number of them are at least 50 percent complete. Many of the athletic event observations made in the report are related to solvency issues the Commission faced before I arrived. As you know, the Commission reduced athletic inspector staffing at events to reduce costs and struggled to remain solvent by following a strict solvency plan. Since I arrived in November, the Commission has increased staffing at events to ensure fighter safety. As a result of reduced expenditures and recent favorable market conditions, our fund reserve balance is growing and many of the observations noted in your report due to staffing shortages at events have been corrected.

Your report also noted some deficiencies in our enforcement program. The Commission handles complaints for the events it regulates and delegates authority for amateur mixed martial arts to the California Amateur Mixed Martial Arts Association (CAMO). The Commission recognizes that it needs to develop processes and procedures to ensure our complaint resolution program is efficient and effective. In addition, the Commission recognizes it needs to monitor its delegation authority contract with CAMO to ensure all delegated functions are performed to standard.

When it comes to licensing standards, the Commission has not ensured all necessary procedures are followed and files are complete. The Commission believes that following all licensing standards is important and will make this a top priority. Currently under development are checklists to include with each applicant file. The checklists will ensure that all requirements are met and the file is complete. In addition, the Commission will continue to scan professional fighter documents into a new electronic filing system. The new system will ensure that all professional fighter documents are digitally stored in one place by fighter name and make any future transition to the new department-wide BreEZe system easier.

Lastly, your report observed deficiencies in the Commission's administrative internal controls. Among the recommendations made, the Commission has already made progress on cash handling and dishonored checks. As the new Executive Officer, I eliminated cash handling for all athletic inspectors and office staff shortly after I arrived in November 2012. Additionally, the Commission has recently stepped up activities related to collecting money from dishonored checks. Although the Commission has made steps in certain areas, I have identified additional steps in my audit response matrix that are needed to address audit recommendations in the areas of payroll accounts receivables, Cal Card operations, and contracts.

While the Commission has been working hard to address many of the recommendations you have outlined in the audit, we recognize that much more work needs to be done in certain areas. Over the next few months, the Commission will aggressively track the implementation of audit recommendations using our audit response matrix. Although in the past, the Commission has not adequately followed through on audit recommendations, I appreciate the effort your audit team put into these recommendations and I ensure we will address them. I look forward to implementing the recommendations so the Commission will continue to improve and provide a superior level of combative sports regulation for all of our stakeholders and to achieve compliance with the law.

Respectfully,

Originally Signed By

Andy Foster
Executive Officer

REC #	AUDIT RECOMMENDATIONS	PAGE	STAFF ASSIGNED:	PROGRESS MADE:	REMAINING WORK NEEDED:	ESTIMATED PERCENT COMPLETE:
	ATHLETIC EVENTS:					
1	Fighter checks should not be left unsecured on the CSAC table during an event.	p4	Lead Athletic Inspector	NEW POLICY: To avoid the risk of fighter check theft, Lead Athletic Inspectors will secure all checks at events in an approved container, or take them when they leave the table.	Approve new policy and incorporate into policy manual.	50%
2	All hand wrapping should be observed by CSAC Athletic Inspectors.	p4	Athletic Inspectors	All hand wraps were not observed due to CSAC budget issues and subsequent reduction in staffing at events to three athletic inspectors. The CSAC raised the minimum staffing at events and now believes it has sufficient staffing to observe all hand wraps.	Determine a minimum event staffing level and incorporate into CSAC policies and procedures. Add "Event has the required minimum athletic inspectors according to CSAC policy" as an event checklist item.	50%
3	Athletic Inspectors should ensure no fighter's hands are wrapped without their supervision.	p8	Athletic Inspectors	See response for # 2.	See response for # 2.	50%
4	CSAC Inspectors should be vigilant about enforcing the rules and regulations at events and weigh-ins to ensure the safety of all participants and the public. CSAC should not attempt to operate without enough inspectors on hand to ensure event safety.	p6	Lead Athletic Inspector	See response for # 2. NEW POLICY: To ensure athletic inspectors follow all rules to ensure a safe event, random event audits will be conducted to ensure all rules are followed.	Despite minimal staffing, lead athletic inspectors are responsible to ensure rules are followed. Implement new policy and assign an event auditor/inspector to at least 10 percent of annual events.	50%
5	Mandatory training for Inspectors should be provided and attendance documented.	p6	Executive Officer	The CSAC held two training sessions for athletic inspectors since December 2012.	Assign staff member as a Training Coordinator to track all athletic inspector training and ensure all requirements are met.	50%
6	Cash should never be accepted by a CSAC Inspector.	p6	Lead Athletic Inspector	The Executive Officer has stopped the CSAC from accepting cash as of November 2012.	See response for # 4.	80%
7	If a promoter cannot meet financial obligations of the event, the required bond should be attached so that all athletes, officials and others owed money can be paid by the promoter.	p6	Executive Officer	The CSAC recently attached a promoter's bond when the promoter did not have sufficient funds to cover fighter checks. NEW POLICY: The CSAC will begin the process of attaching a promoter's bond if the promoter has not promptly paid all necessary expenses within 14 days of an event. Furthermore, any promoter that does not pay all expenses on the day of the event will receive a written warning. If a promoter receives more than one warning in a 12 month period, the promoter's license will be suspended for 12 months.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	30%
8	Promoters should ensure security personnel are trained and fully understand their duties.	p8	Executive Officer	NEW POLICY: Lead Athletic Inspectors will ensure the club/event locations provides adequate security personnel and note any promoter deficiencies for possible future action against a promoter's license. All past promoter infractions will be documented in the promoter file and used in the consideration of future requests.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	30%
9	Dressing rooms should be monitored by the Athletic Inspectors at all times.	p8	Lead Athletic Inspector	NEW POLICY: Lead Athletic Inspectors will ensure dressing rooms are monitored at all times. If there are not enough athletic inspectors to provide constant monitoring, the Lead will ensure the club provides security personnel to accomplish this task.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	50%
10	Drinks should not be served in aluminum cans.	p8	Lead Athletic Inspector	NEW POLICY: Lead Athletic Inspectors shall be held responsible for enforcement of all rules designed to ensure events are safe. Rules not followed will be documented in the Lead's personnel file.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	50%
11	Officials, such as Doctors should be trained on acceptable forms to use for their duties.	p8	Executive Officer	NEW POLICY: Lead Athletic Inspectors shall be held responsible for enforcement of all rules designed to ensure events are safe. Leads will ensure Doctors use appropriate medical forms. Rules not followed will be documented in the Lead's personnel file.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	50%
12	CSAC should not wait until the last minute to determine if a promoter has insurance coverage for an event. This should be determined at least a few days in advance in order to reduce the impact on participants, the public, and event officials should cancellation become necessary.	p8	Lead Office Technician	The CSAC implemented a new procedure that requires the event Lead Office Technician to check for insurance coverage before an event packet is approved and sent out to the field.	Done.	100%

13	Box office receipt requirements need to be enforced. Promoters are required to produce a ticket manifest and seating chart in advance of the event, and account for all tickets at the end of the night, in order to determine the proper gate taxes and fees due to CSAC at the end of the event.	p9	Lead Office Technician / Lead Athletic Inspector	The CSAC recently created an approved ticket vendor list. Additionally, CSAC requires the promoters to send a ticket manifest and seating chart before an event packet is approved and sent out to the field. Promoters have 72 hours to compute their box office numbers. As a result, it is not always possible to determine the proper gate taxes and fees at the end of an event.	As part of our process to conduct field audits on at least 10 percent of events, we will evaluate the box office procedures. We need to formulate and approve the new field auditing procedures.	70%
14	Athletic Inspectors should maintain control of the events at all times. They should ensure they have all required paperwork before allowing any weigh-in or event to continue.	p11	Lead Office Technician / Lead Athletic Inspector	According to existing CSAC policy, Athletic Inspectors are required to maintain control of the events at all time and should have all required paperwork.	Develop an auditing tool or self-evaluation checklist for Lead Inspectors to fill out for each event, certifying that they adhered to CSAC policies and safety standards.	50%
15	Athletic Inspectors should coordinate with the CSAC headquarters office on any changes of venue or changes in participants. They should ensure that event officials, such as physicians, are able to perform their required duties at the weigh-ins and events.	p11	Lead Office Technician / Lead Athletic Inspector	NEW POLICY: Lead Athletic Inspectors shall be held responsible for enforcement of all rules designed to ensure events are safe. Leads will ensure Doctors use appropriate medical forms. Rules not followed will be documented in the Lead's personnel file.	Approve new policy and incorporate into policy manual. Assign CSAC staff member to coordinate and monitor the implementation of this new policy.	50%
16	CSAC should ensure there are enough Athletic Inspectors to oversee adequate safety of the athletes and observers at the events. CSAC should not attempt to regulate an event with less than four or five trained and competent athletic inspectors.	p11	Executive Officer	The CSAC budget and reserve account balance continues to improve, and the Executive Officer now assigns a sufficient number of Athletic Inspectors to ensure event safety.	Done.	100%
17	CSAC management should conduct random spot checks and self-evaluations to ensure that the department is fully in compliance.	p11	Executive Officer	NEW POLICY: To ensure athletic inspectors follow all rules to ensure a safe event, random event audits will be conducted to ensure all rules are followed.	Despite minimal staffing, lead athletic inspectors are responsible to ensure rules are followed. Implement new policy and assign an event auditor/inspector to at least 10 percent of annual events.	50%
18	CSAC should maintain control of ticket revenue by requiring the promoter to adhere to these box office regulations, so that revenue and fees are accurately calculated.	p13	Lead Athletic Inspector / Office Cashier	NEW POLICY: To ensure athletic inspectors follow all rules to ensure a safe event, random event audits will be conducted to ensure all rules are followed.	Despite minimal staffing, lead athletic inspectors are responsible to ensure rules are followed. Implement new policy and assign an event auditor/inspector to at least 10 percent of annual events.	50%
ENFORCEMENT OBSERVATIONS:						
19	The commission should establish terms of its delegation authority to CAMO in writing. The terms should minimally include a beginning and end/renewal date.	p14	Executive Officer		The CSAC will start the process to revise its delegation authority with CAMO.	0%
20	The delegation should spell out the specific expectations/requirements of the commission for the CAMO, as outlined in Section 18646 of the Business and Professions Code.	p14	Executive Officer		The CSAC will start the process to revise its delegation authority with CAMO.	0%
21	The commission should plan and conduct annual performance reviews of CAMO to ensure that it is in compliance with the terms of its delegation.	p15	Executive Officer		The CSAC will develop an annual audit plan of CAMO to ensure it is in compliance with the terms of its delegation.	0%
22	The commission should ensure that CAMO is providing a financial report of receipts and disbursements within 90 days of each event.	p15	Office Cashier		The CSAC will develop a written procedure to ensure financial reports are received from CAMO within 90 days of each event.	0%
23	CSAC should develop a process and written procedure for acknowledging, assigning, processing and resolving any complaints received.	p15	Complaint Resolution Analyst		The CSAC will develop a process and written procedures for acknowledging, assigning, processing and resolving any complaints received.	0%
LICENSING OBSERVATIONS:						
24	Judges - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a judge until all licensing requirements have been received and documented.	p17	Files Custodian / Executive Officer		The CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	0%
25	Referees - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a referee until all licensing requirements have been received and documented.	p18	Files Custodian / Executive Officer		The CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	0%
26	Matchmakers - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a matchmaker until all licensing requirements have been received and documented.	p20	Files Custodian / Executive Officer		The CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	0%

27	Promoters - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a promoter until all licensing requirements have been received and documented.	p22	Files Custodian / Executive Officer		The CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	0%
28	Managers - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a manager until all licensing requirements have been received and documented.	p23	Files Custodian / Executive Officer		The CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	0%
29	Professional Boxers - CSAC should create desk procedures and/or a procedure manual to guide staff in maintaining accurate files. Management should periodically review the files to ensure they are complete and accurate. No candidate should be licensed as a professional boxer until all licensing requirements have been received and documented.	p26	Files Custodian / Executive Officer	The CSAC developed an electronic file for each fighter and began populating the files in November 2012.	The CSAC will continue to populate and update the electronic fighter files. Additionally, the CSAC will develop a licensing processing checklist to ensure all requirements are met and the file is complete before a license is issued.	30%
30	Written procedures should be established to guide office staff with licensing activities.	p27	Executive Officer	The CSAC began development of a desk procedure manual in January 2013.	The CSAC will ensure that written procedures are established and included in its desk procedure manual to guide office staff with licensing activities.	30%
31	CSAC should do whatever they possibly can to work with the BreEZe team to get ready to transition to the new system as soon as they can be accommodated.	p28	Executive Officer	The CSAC is currently scheduled with the third, and last group to implement BreEZe.	The CSAC will contact a representative of the BreEZe team to see if there are steps the CSAC can take now to make the transition easier.	0%
32	CSAC should consult with the DCA Information Security Office to ensure data, stored in the current patchwork of databases and spreadsheets, is adequately secured while waiting to transition to the BreEZe system.	p28	Executive Officer		The CSAC needs to develop a business continuity plan to address DCA Information Security Office requirements. The plan should address this recommendation.	0%
ADMINISTRATIVE INTERNAL CONTROL OBSERVATIONS:						
33	Cash Receipts - Written desk procedures should be created as a guide for employees handling cash and cash equivalents. The safe combination and key should be changed to provide a safe place to store these items. In addition, if the safe is used it should be securely anchored to the building or otherwise secured.	p29	Executive Officer	The CSAC stopped taking cash pursuant to an Executive Officer policy. The safe combination has been changed.	The safe needs to be securely anchored to the building or otherwise secured.	70%
34	Payroll Accounts Receivables - To ensure timely collection of accounts receivables, a coordinated effort needs to occur between DCA personnel, accounting, and CSAC. The requirements of timely notification, and adequate supporting documentation in the form of the three letters should be adhered to.	p30	Office Cashier		The CSAC will develop a personnel out-processing checklist and include coordinating with the DCA to ensure timely collection of personnel accounts receivables.	0%
35	Dishonored Checks - All supporting documentation for dishonored checks receivables should be maintained at both DCA and CSAC until collections have been resolved. The supporting documentation should be reconciled monthly by DCA Accounting and CSAC to ensure collection activities are complete and timely.	p31	Office Cashier	The CSAC cahier recently started tracking and aggressively going after promoters that write bad checks.	The CSAC will develop a dishonored check checklist that ensures appropriate steps are taken and documented when completed. This checklist will help us ensure proper communication between the DCA and CSAC.	20%
36	Cal Card Purchasing - Written desk procedures should be developed delineating the rules for the use of the Cal-Card and the processing and retention of Cal-Card documents.	p32	Cal Card Custodian / Office Technician		The CSAC custodian will develop a written desk procedure and ensure retention of necessary documents.	10%
37	Cal Card Training - Training should be provided to both the cardholder and the approver that would prevent the payment of penalties for non-adherence to the California prompt payment Act	p32	Executive Officer		The CSAC will ensure that both the Cal Card custodian and reviewer are trained to prevent the payment of penalties for non-adherence to the California prompt payment Act.	0%
38	Cal Card - A signed and dated copy of the Cal-Card authorization form allowing purchases by the Cal-Card holder should be made available for audit purposes. These need to be kept current through changes in Cal-Card purchasers and approvers.	p33	Executive Officer		The CSAC custodian will develop a written desk procedure and ensure retention of necessary documents.	0%
39	Contracts - CSAC should designate a contract manager at CSAC for each contract; the manager should ensure it is utilized to the fullest extent to maximize efficiency.	p34	Executive Officer	The CSAC currently has three contracts and no designated contract managers.	The CSAC will designate a contract manager for each active contract to ensure efficient utilization.	0%
40	Contracts - Contracts should be consistently monitored for effectiveness; compliance and proper payment.	p34	Executive Officer	NEW POLICY: Contract managers will be assigned to each CSAC contract and will consistently monitor contracts for effectiveness; compliance and proper payment.	The CSAC will implement the new policy and ensure it is added to the existing Standard Operating Procedures Manual.	30%
41	Contracts - Desk procedures governing contracts should be written.	p34	Contract Managers		Assigned Contract Managers will ensure desk procedures are written.	10%
42	Contracts - Contract files should be maintained.	p34	Contract Managers		Assigned Contract Managers will ensure all necessary contract files are maintained.	10%

43	Contracts - CSAC staff with contract monitoring duties should attend training on administering contracts.	p34	Contract Managers		Once contract managers are assigned, the CSAC Executive Officer will ensure necessary training is attended.	0%
44	Nepotism - CSAC should ensure that existing familial or personal relationships adhere to the nepotism policy. Supervisors and Managers should review and approve Form HR-04s to ensure adherence to the policy.	p34	Executive Officer	The Executive Officer assigns athletic inspectors to events and is responsible to ensure adherence to the DCA Nepotism policy.	The CSAC Executive Officer will review the Nepotism policy and ensure polices and procedures are followed.	0%
45	Employee Separations - CSAC should establish and train an Attendance Coordinator to address separations, as well as other HR liaison duties. In the interim, a supervisor/manager should notify the Office of Human Resources at DCA immediately of any employee separating so that payroll records are accurate, any state equipment or system access is rescinded, and final payment of wages is made within the provisions of AB 2410.	p35	Executive Officer / Attendance Coordinator		The CSAC will establish and train an Attendance Coordinator to address separations and utilize the checklist developed for recommendation #34.	0%

Attachment 2 – DCA Office of Administrative Services Response

CSAC Administrative Internal Control Observations

As noted in the Scope section of our report, administrative support and guidance by DCA is offered to every board, bureau, or commission under the DCA in these areas. In some cases the deficiencies noted also reflect issues found on the DCA support side. We anticipate these issues will be addressed by DCA management in each area for purposes of responding to this draft report.

DCA OAS responded to our recommendations below.

Administrative Internal Controls Observation # 1 - Cash Receipts

Recommendation: Written desk procedures should be created as a guide for employees handling cash and cash equivalents. The safe combination and key should be changed to provide a safe place to store these items. In addition, if the safe is used it should be securely anchored to the building or otherwise secured.

DCA - Fiscal Operations Response: *The current processes in the Central Cashiering Unit (CCU) for processing and safeguarding cash receipts is documented in the CCU procedure manual and are as follows:*

- *Blank numbered cash receipt books are kept in a secured area and are logged out to our boards and bureaus upon request.*
- *Cash receipts are written at our front window for all cash/checks received. Each receipt written is logged on a "Front Counter Log" and then logged again (for cash only) on a "Drop Box Log". A calculator tape is prepared to make sure all cash is documented properly and attached to cash. The cash is then placed in a key locked silver box (located on the wall in the front counter area) until the end of day reconciliation. The key to the silver box is locked in the safe throughout the day, which is in our vault, and can only be retrieved by designated personnel.*
- *At the end of the day, the locked silver box is opened by two designated personnel, and each transaction is recounted for accuracy and checked off on the "Drop Box Log". The cash is then taken to the vault by the two designated personnel. The safe (which is bolted to the floor) inside the vault, is then opened by a combination on a keypad and placed in a cash box along with the log the cash was documented on. The cash box is then placed back in the safe until retrieval of said cash is needed for daily deposits to the bank.*
- *Every Friday the cash box is reconciled to make sure all cash received is deposited within a 48-72 hour turn around. If not, further research is completed by the AGPA within CCU.*
- *Each morning the "Front Counter Log", the "Drop Box Log" and the front counter cash receipt books are reconciled to make sure all receipts are accounted for and properly logged.*

- ***A listing is posted outside the vault as to who has authorized access.***
- ***An authorized assignments listing is also prepared to show who has access to the safe's combination.***

Administrative Internal Controls Observation # 2 - Payroll Accounts Receivables

Recommendation: To ensure timely collection of accounts receivables, a coordinated effort needs to occur between DCA personnel, accounting, and CSAC. The requirements of timely notification, and adequate supporting documentation in the form of the three letters should be adhered to.

DCA – Fiscal Operations Response: *The Accounts Receivable/Revenue Unit (ARRU) has procedures to set up and reverse payroll accounts receivables, process payroll deductions and agency collections. The ARRU meet with OHR staff on a regular basis to clear any outstanding items. Reconciliation with the D16, DCA Accounting and CSAC should occur on a monthly basis to reconcile both the accounting and CSAC records.*

Administrative Internal Controls Observation #3 - Accounts Receivable – Dishonored Checks from Promoters and Athletes

Recommendation: All supporting documentation for dishonored checks receivables should be maintained at both DCA and CSAC until collections have been resolved. The supporting documentation should be reconciled monthly by DCA Accounting and CSAC to ensure collection activities are complete and timely.

DCA - Fiscal Operations Response: *The process for issuing three letters on a dishonored check is documented for the accounting office staff and how to submit the dishonored check to FTB once the third letter has been sent for collection.*

Administrative Internal Controls Observation # 4 – Cal Card Purchasing

Recommendations:

- Written desk procedures should be developed delineating the rules for the use of the Cal-Card and the processing and retention of Cal-Card documents;
- Training should be provided to both the cardholder and the approver that would prevent the payment of penalties for non-adherence to the California prompt payment Act;
- A signed and dated copy of the Cal-Card authorization form allowing purchases by the Cal-Card holder should be made available for audit purposes; These need to be kept current through changes in Cal-Card purchasers and approvers.

DCA - Business Services Office Response: The BSO, BMS Unit recommends providing CSAC with one on one training at its Sacramento Headquarters including the following: (1) View the CAL-Card Purchasing Program training webinar (90 minutes); (2) a question and answer period; (3) copies of the CAL-Card Purchasing Program Hand Book; (3) copies of all active CAL-Card MOUs; and (4) establishment of a filing system to maintain approved CAL-Card MOUs and supporting documentation (i.e., reconciliation packages). Further the BSO, BMS Unit along with SOLID provides a 4-hour CAL-Card Purchasing Program training class quarterly. The next training class is scheduled for Tuesday, March 19, 2013.

In reference to the identified deficiencies:

- 27% (3 of 11) CAL-Card packets were not available for review at CSAC. ***CAL-Card Holders are required to attend the CAL-Card Hand Book Training prior to receiving a CAL-Card. Approved CAL-Cards, include a MOU agreement between the DCA, CAL-Card Purchasing Program and Client, which is signed by the CAL-Card Holder, Approver, CAL-Card Coordinator, and CAL-Card Program Manager. A copy of the approved agreement is provided to the Card Holder along with the CAL-Card. This deficiency will be addressed during the one-on-one training provided by the BMS Unit and the establishment of a filing system to maintain approved CAL-Card MOUs and supporting documentation.***
- 90% (10 of 11) CAL-Card packets did not contain all documents required for processing. ***It is possible that the Client does not presently maintain copies of all documentation submitted to the BMS Unit for processing. The BMS Unit does not forward incomplete reconciliation packages to the DCA Accounting Unit or the State Controller's Office as incomplete packages will not be accepted nor paid. CAL-Card Holders and Approvers are required to complete, sign, and include a CAL-Card Checklist form (i.e., identifies all required documentation, including signatures) with each CAL-Card Bank Statement Reconciliation package. Further, the BMS Unit utilizes a three stage deficiency letter process to address any missing required documentation. Through the training, Clients will be reminded to***

complete the checklist and to maintain copies of all documentation submitted to the BMS Unit in the appropriate file folder.

- 72% (8 of 11) Purchases tested had dollar amounts on the CAL-Card documents that did not match the detail of expenditure report (CALSTARS H10).
The BMS Unit does not utilize the CALSTARS H10 expenditure report to reconcile Client statements. The BMS Unit utilizes the Clients' U.S. Bank Statement and required purchase invoices for reconciliation purposes. The two documents must match in order for the reconciliation to be complete. Missing documentation is addressed via the deficiency letter process. The DCA CALSTARS program generates and maintains the CALSTARS H10 report.
- 82% (9 of 11) CAL-Card statements were not signed and dated by both the preparer and the reviewer.
Clients are required to sign and date all CAL-Card Bank Statements. The BMS Unit does not forward incomplete reconciliation packages to the DCA Accounting Unit or the State Controller's Office as incomplete packages will not be accepted nor paid. CAL-Card Holders and Approvers are required to complete, sign, and include a CAL-Card Checklist form (i.e., identifies all required documentation, including signatures) with each CAL-Card Bank Statement Reconciliation package. Further, the BMS Unit utilizes a three stage deficiency letter process to address any missing required documentation. Through the training, Clients will be reminded to complete the checklist and to maintain copies of all documentation submitted to the BMS Unit in the appropriate file folder.
- 82% (9 of 11) CAL-Card purchases were not supported by original purchase documents.
Clients are not required to maintain original CAL-Card documentation. The original bank statements and invoices must be submitted to the BMS Unit as part of the reconciliation package. Original documents are submitted and required by the State Controller's Office for payment of claims.
- 50% (5 of 10) CAL-Card packets were not submitted timely to the DCA, Business Services Office.
CAL-Card Bank Statements are available to Clients on-line on the last day of the billing cycle each month. Clients are responsible for downloading the document for reconciliation and submittal to the BMS Unit. Presently, Card Holders receive an email notification if their statement is not received by the BMS Unit within five (5) business days of statement availability. The BMS Unit will implement (immediately) a new email notification/reminder to all Card Holders and Approvers when statements are available for review and download. The reminders should assist CSAC with timely submission of its reconciliation packages.

Administrative Internal Controls Observation # 5 – Contracts

Recommendations:

- CSAC should designate a contract manager at CSAC for each contract; the manager should ensure it is utilized to the fullest extent to maximize efficiency;
- Contracts should be consistently monitored for effectiveness, compliance and proper payment;
- Desk procedures governing contracts should be written;
- Contract files should be maintained at CSAC;
- CSAC staff with contract monitoring duties should attend training on administering contracts.

DCA - Business Services Office Response:

To assist CSAC in compliance with the audit findings, the Non-IT Contracts Unit recommends:

- 1. Providing contracts training to the CSAC staff that will be responsible for requesting and managing contracts. This training will cover how to prepare and submit an Acquisition Request Package (99BSO-3045), identification of contracting related resources and policies, and contract management responsibilities and practices. This training will be provided both formally in a classroom setting, and informally to ensure that all the necessary knowledge required to address the audit recommendations is provided to CSAC.***
- 2. Creating and providing CSAC complete contract files for all three existing CSAC contracts: Regents of the University of California, Raymond James Financial Services, Inc., and Benefit Resources. The Non-IT Contracts Unit also recommends providing CSAC with additional empty contract files for future contracts.***
- 3. Direct CSAC to DCA Accounting to obtain the information required to properly review/approve invoices and track payments made to existing contracts.***
- 4. Informing CSAC about the resources available on the BSO Intranet Page (Expiring Contracts Report, contract related forms, etc.).***
- 5. Following up with CSAC after items 1 - 4 are completed to ensure that CSAC is properly managing their contracts and to provide CSAC with any additional information/clarification required to keep CSAC in compliance with the audit recommendations.***

In reference to the identified deficiencies:

- CSAC has no desk procedures governing how they are to handle contracts;
The Non-IT Contracts Unit will provide contracts training to the CSAC staff that will be responsible for requesting and managing contracts. This training will cover how to prepare and submit an Acquisition Request Package (99BSO-3045), identification of contracting related resources and policies (State Contracting Manual (SCM), Business Services Office (BSO) Mind Yer Business Newsletter, BSO Intranet Page, DCA Contracts Manual), and contract management responsibilities and practices (per SCM 9.04, 9.09, 9.10, and 9.16). This training will be provided both formally in a classroom setting (Non-IT Contracts Training class), and informally to ensure that all the necessary knowledge required to address the audit recommendations is provided to CSAC. The next scheduled Non-IT Contracts Training class takes place on April 10, 2013. These steps will provide CSAC with appropriate desk procedures for handling contracts.
- CSAC staff did not know if there were any contracts or how payments were made to CSAC contracts;
The Non-IT Contracts Unit will create and provide CSAC complete contract files for all three current CSAC contracts. CSAC will be directed to the DCA Accounting Office for direction on how to review, approve, track, and submit invoices for payment. These steps will allow CSAC to manage their contracts more effectively, including identifying how payments are made to CSAC contracts.
- No annual reports of contracts and contract payments are maintained at CSAC;
The Non-IT Contracts Unit will create and provide CSAC complete contract files for all three current CSAC contracts. These contract files will be used to track invoices and payments for each contract. These files will be utilized to create any required reports capturing annual contract expenditures. These steps will allow CSAC to effectively track any information required for annual contracting or expenditure reports.
- No contract files are maintained at all at CSAC;
The Non-IT Contracts Unit will create and provide CSAC complete contract files for all three current CSAC contracts: Regents of the University of California, Raymond James Financial Services, Inc., and Benefit Resources. The Non-IT Contracts Unit will also provide CSAC with instruction on how to maintain contract files and will provide additional

empty contract files for future CSAC contracts. These steps will allow CSAC to maintain files for all CSAC contracts.

- No monitoring of contracts to ensure compliance with contract provisions or payments is being done.

The Non-IT Contracts Unit will provide contracts training to the CSAC staff that will be responsible for requesting and managing contracts. The Non-IT Contracts Training class will cover contract management responsibilities and practices (per SCM 9.04, 9.09, 9.10, and 9.16). These steps will provide CSAC with the training necessary to ensure that contracts are properly monitored and managed.

Administrative Internal Controls Observation # 6 – Nepotism Policy not Enforced

Recommendation: CSAC should ensure that existing familial or personal relationships adhere to the nepotism policy. Supervisors and Managers should review and approve Form HR -04s to ensure adherence to the policy.

DCA - OHR Response: There is no indication that the DCA Nepotism Policy has been violated; however, process and procedural guidelines must be enforced. OHR is in the process of educating CSAC management on their responsibilities regarding enforcement of DCA’s Nepotism Policy. OHR will coordinate the distribution of the Verification of Hiring Relatives form (HR-04) and ensure all familial relationships reviewed, issues are address and the forms are maintained in the Official Personnel File. In addition, OHR will assist CSAC management in developing a process to ensure event scheduling considers familial relationships when assigning Lead Inspectors.

Administrative Internal Controls Observation # 7 – CSAC Employee Separation Procedures not completed timely; Non-Adherence to AB 2410

Recommendation: CSAC should establish and train an Attendance Coordinator (AC) to address separations, as well as other HR liaison duties. In the interim, a supervisor/manager should notify the Office of Human Resources at DCA immediately of any employee separating so that payroll records are accurate, any state equipment or system access is rescinded, and final payment of wages is made within the provisions of AB 2410.

DCA - OHR Response: CSAC has designated a new Attendance Coordinator, who is in the process of being trained by OHR staff in the proper procedures for separations to ensure all of the required forms (HR-15 and 99K-35B) and

notifications are initiated in a timely manner, state equipment is appropriately accounted for, system and building access is rescinded and final payments are processed to meet the requirements of AB 2410.