

# **Media Trade Contracts**

*Intercollegiate Athletics*



*November 2016*

**The University of Texas at Austin  
Office of Internal Audits**

**UTA 2.302  
(512) 471-7117**

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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor's Office, the Sunset Advisory Commission, the Governor's Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**Media Trade Contracts  
Project Number: 16.007**



**OFFICE OF INTERNAL AUDITS**  
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe Street, Suite 2.302 • Austin, Texas 78701 • (512) 471-7117 • FAX (512) 471-8099

November 23, 2016

President Gregory L. Fenves  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Media Trade Contracts. Our scope included media trade contracts between UT Athletics and three media organizations during fiscal year 2015.

Based on the audit procedures performed, we conclude that UT Athletics was compliant with the basic terms of the contracts; however, four opportunities for improvement were noted regarding contracts, ticket values, record retention, and tracking value of advertising received. Our audit report provides detailed observations for each area under review. Suggestions are offered throughout the report for improvement in the existing control structure.

We appreciate the cooperation and assistance of Intercollegiate Athletics throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael W. Vandervort".

Michael W. Vandervort, CPA  
Chief Audit Executive

cc: Institutional Audit Committee Members  
Mr. Carlos Martinez, Chief of Staff, Office of the President  
Mr. Michael Perrin, Men's Athletic Director, intercollegiate Athletics  
Ms. Christine Plonsky, Women's Athletics Director and Executive Senior Associate  
Athletics Director for External Services, Intercollegiate Athletics  
Ms. Lori Hammond, Associate Athletics Director, Risk Management and Compliance  
Services, Intercollegiate Athletics  
Ms. Patricia Ohlendorf, Vice President for Legal Affairs  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits



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## EXECUTIVE SUMMARY

### **Conclusion**

Based on our review of the media advertising agreements, invoices, and correspondence with relevant staff, the Office of Internal Audits concludes that The University of Texas Intercollegiate Athletics (UT Athletics) was compliant with the basic terms of the contracts. Recommendations were made to improve the controls and processes related to filing fully executed contracts with the Business Contracts Office, documenting the value of season tickets and related Longhorn Foundation donations, and maintaining and reconciling invoices to the agreed-upon amounts in the media advertising agreements.

### **Summary of Recommendations**

Each issue has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.

Internal Audits identified four issues which led to the following recommendations:

- Fully Executed Agreement Not on Record (Audit Issue Ranking: Medium)
- Imprecise Season Ticket/Donation Values (Audit Issue Ranking: Medium)
- Record Retention - Invoices (Audit Issue Ranking: Medium)
- Tracking Value of Advertising Received (Audit Issue Ranking: Medium)

Management has provided corrective action plans which are expected to be implemented on or before February 1, 2016.

### **Audit Scope and Objective**

The scope of this audit included media trade contracts between UT Athletics and three media organizations during fiscal year 2015. The audit objective was to determine whether the media trade contracts handled by UT Athletics were being fulfilled according to the terms of the contracts.

### **Background Summary**

Media advertising agreements, commonly referred to as media trade contracts, are contracts between UT Athletics and local media organizations where UT Athletics offers both season tickets to sporting events and the value of associated Longhorn Foundation donations in exchange for an equal value of network advertising for UT Austin's athletic programs. In 2014, UT Athletics entered into contracts with Time Warner Cable, ViaMedia Inc., and Emmis Communications; the respective amounts for each contract were \$21,880, \$23,600, and \$25,380. The contracts operate on a year-to-year basis and were active prior to and after the scope of this audit.



## BACKGROUND

Media advertising agreements, commonly referred to as media trade contracts, are contracts between The University of Texas Intercollegiate Athletics (UT Athletics) and local media organizations where UT Athletics offers both season tickets and the value of associated Longhorn Foundation donations to sporting events in exchange for an equal value of network advertising for UT Austin's athletic programs. In 2014, UT Athletics entered into contracts with Time Warner Cable, ViaMedia Inc., and Emmis Communications; the respective amounts for each contract were \$21,880, \$23,600, and \$25,380. The contracts operate on a year-to-year basis and were active prior to and after the scope of this audit.

In addition, it should be noted that the scope of the audit occurred after UT Athletics had transitioned to a new Men's Athletic Director and was operating under modified business processes, particularly regarding athletic ticket sales.

## SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included media trade contracts between UT Athletics and three local media organizations between September 1, 2014 and August 31, 2015. The audit objective was to determine whether the media trade contracts handled by UT Athletics were being fulfilled according to the terms of the contracts.

To achieve these objectives, The Office of Internal Audits (Internal Audits):

- Reviewed the executed contracts;
- Reviewed the broadcasting time affidavits/invoices;
- Corresponded with relevant staff; and
- Reviewed applicable policies and procedures.

This audit was requested by UT Athletics as an agreed-upon procedures audit and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

## AUDIT RESULTS

Based on our audit of three media trade contracts, Internal Audits concludes that the basic terms of the contract are being fulfilled; however, four opportunities for improvement were identified.

Recommendations were made to improve the manner in which the contract terms are being met. Each issue has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.



### **Contracts – Fully Executed Agreement Not on Record**

#### **Audit Issue Ranking: Medium**

The fully executed agreement for one of the advertising entities was not filed with UT Austin’s Business Contracts Office. Because there were negotiations back and forth regarding basketball game seats, it appears obtaining the signed contract document was overlooked. When an executed contract is not filed with the Business Contracts Office, there is a risk that UT Austin has no evidence of the terms agreed to by both parties.

Rules and Regulations of the *Board of Regents Rule 10501* state, “The primary delegate identified in these rules and regulations as authorized to execute and deliver on behalf of the Board of Regents various types of contract, agreements, and documents shall maintain or cause to be maintained, necessary and proper records with all regards to all contracts.”

**Recommendation 1:** Management should ensure fully executed agreements are submitted to the Business Contracts Office.

**Management’s Response and Corrective Action Plan:** The Associate Athletics Director will assign an Executive Assistant to obtain the appropriate signatures on each agreement prior to distribution of trade inventory to any contracted entity. The Executive Assistant will also forward a copy of fully executed agreements to the Business Contracts Office and will retain a copy in the Engagement Services files.

The Associate Athletics Director for Engagement Services will also propose an internal deadline (e.g., August 15) for all media trade agreements to be completed prior to the start of each academic year.

In the 2016-17, Athletics had just one media trade agreement. Several agreements previously executed through the media trade process have since been incorporated into a sponsorship negotiated through IMG. Athletics does not expect to substantially increase media trade agreements in future academic years.

**Responsible Person:** Associate Athletics Director, Engagement Services and Executive Assistant, Engagement Services

**Planned Implementation Date:** February 1, 2017

**Post Audit Review:** Internal Audits will follow-up in the second quarter of FY17.

### **Contract Terms – Imprecise Season Ticket/Longhorn Foundation Donation Values**

#### **Audit Issue Ranking: Medium**

The value of season tickets and Longhorn Foundation (LHF) donation amounts provided by UT Athletics do not match the values of advertising agreed upon in Section III of the media trade contracts for all three entities. During the scope of this audit, UT Athletics



did not appear to have a formal process for determining the value of tickets and LHF donation amounts. If values of the tickets and LHF donation amounts cannot be determined accurately, then there is increased risk that UT Austin is providing a set of season tickets with a higher value than the agreed upon trade amount.

Section II.B. of the Media Advertising Agreements states, “The total value associated with the home game season tickets, parking passes, and benefits provided pursuant to the hospitality passes, must be equal to the total value of free advertising provided by [the advertising entity].”

**Recommendation 2:** Management should implement a process to easily determine the values of ticket and associated LHF donation amounts being traded in the media advertising agreements.

**Management’s Response and Corrective Action Plan:** Management will revise the contract template to include a table that clearly outlines the value of each ticket provided and the associated donation amount. This data will be pulled directly from the publicly available ticket pricing information for the applicable season. The contract will clearly summarize the value of the tickets provided and note the subsequent media trade to be received by Athletics.

**Responsible Person:** Associate Athletics Director, Engagement Services

**Planned Implementation Date:** February 1, 2017

**Post Audit Review:** Internal Audits will follow-up in the second quarter of FY17.

### **Record Retention – Invoices**

#### **Audit Issue Ranking: Medium**

UT Athletics did not receive sufficient itemized invoices from one of the advertising entities. The contract states, “All without cost advertising provided to University under this Agreement shall be itemized and invoiced...to University by invoice.” There is no formal process for tracking the receipt of itemized invoices to reconcile against the contracted amount. If the receipt of itemized invoices is not tracked, then there is increased risk that UT Athletics is not receiving the expected amount of advertising.

Section 20.6.1 of UT Austin’s *Handbook of Business Procedures* states, “The University of Texas at Austin is required to keep one copy of every record created in the course of university business whether the record is created and maintained within the university or by a private contractor to the university.”

**Recommendation 3:** Management should ensure the department actively receives, tracks, and maintains itemized invoices as required by the agreements.



**Management’s Response and Corrective Action Plan:** Engagement Services will implement a process to track each invoice received and will maintain an updated balance of the advertising inventory remaining in each trade agreement throughout the year. This process will also track fulfillment of the requested trade inventory after each scheduled advertising campaign.

**Responsible Person:** Executive Assistant, Engagement Services

**Planned Implementation Date:** February 1, 2017

**Post Audit Review:** Internal Audits will follow-up in the second quarter of FY17.

### **Contract Terms – Tracking Value of Advertising Received**

#### **Audit Issue Ranking: Medium**

For two of the three advertising entities, the amount of advertising services received did not equal the agreed upon amount in the media trade contract, according to the itemized invoices provided. (For the third entity, as noted in Recommendation 3, there was an insufficient number of invoices to determine the amount of advertising received for the year.) UT Athletics does not have a formal process to ensure services provided equal the agreed upon amount. If the value of services is not accurately tracked, then there is increased risk that UT Athletics is not receiving the expected amount of advertising.

Section II.B. of the Media Advertising Agreement states, “The total value associated with the home game season tickets, parking passes, and benefits provided pursuant to the hospitality passes, must be equal to the total value of free advertising provided by [the advertising entity].”

**Recommendation 4:** Management should implement a process to track and verify that the advertising services provided are equal to the agreed upon amount per the terms of the media advertising agreements.

**Management’s Response and Corrective Action Plan:** As detailed in management’s response to Recommendation #3, Engagement Services will implement a tracking process to identify the remaining balance for each agreement as invoices are received throughout the year. This process will also track any carryover inventory from a previous year; however, Engagement Services fully intends to utilize all available inventory in each contract term and will attempt to minimize the carryover of inventory to subsequent academic years.

**Responsible Person:** Executive Assistant, Engagement Services

**Planned Implementation Date:** February 1, 2017

**Post Audit Review:** Internal Audits will follow-up in the second quarter of FY17.



## **CONCLUSION**

Based on our review of the media advertising agreements, invoices, and correspondence with relevant staff, the Office of Internal Audits concludes that UT Athletics was compliant with the basic terms of the contracts. Recommendations were made to improve the controls and processes related to filing fully executed contracts with the Business Contracts Office, documenting the value of season tickets and related Longhorn Foundation donations, and maintaining and reconciling invoices to the agreed-upon amounts in the media advertising agreements.

In accordance with directives from The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.



## APPENDIX

### Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.
- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.