



COMPTROLLER'S INVESTIGATIVE REPORT

Middle Tennessee State University Athletic Department

August 29, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
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August 29, 2019

Dr. Sidney McPhee, President
Middle Tennessee State University
1301 East Main Street
Murfreesboro, TN 37132

Dr. McPhee:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Middle Tennessee State University - Athletic Department, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 16th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", is written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Middle Tennessee State University Athletic Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to questionable purchases and other transactions by the Middle Tennessee State University Athletic Department. Officials in the Athletic Department first detected the questionable transactions. The Middle Tennessee State University Audit and Consulting Services reported these transactions to the Comptroller’s Office and provided vital assistance throughout the investigation. The investigation was limited to selected records for the period August 2015 through June 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 16th Judicial District.

BACKGROUND



Middle Tennessee State University (MTSU), located in Murfreesboro, is one of the largest public universities in Tennessee, with an undergraduate enrollment of approximately 20,000 students. The MTSU Athletic Department supports 17 sports competing at the National Collegiate Athletic Association’s highest level.

RESULTS OF INVESTIGATION

1. ASSOCIATE ATHLETIC DIRECTOR USED THE UNIVERSITY PURCHASING CARD TO MAKE A QUESTIONABLE PURCHASE TOTALING \$3,500

An associate athletic director used his university purchasing card to purchase 100 copies of “A Guide to Etiquette for Student Athletes” (etiquette manual) at a cost of \$35 per copy from a company with which he appeared to have a personal financial interest. At the time of the purchase, the associate athletic director was listed in

documents filed with the Tennessee Secretary of State as one of two incorporators of the company, and the corporate website identified him as the chief operating officer and included his picture. Two days after the etiquette manual purchase, the associate athletic director offered the other incorporator who was listed as president of the company a position with the MTSU Athletic Department. Furthermore, the other listed incorporator admitted that he moved into the associate athletic director's home at the time of the \$3,500 purchase.

The associate athletic director told investigators that he purchased the manuals for the football team and denied any association with the company. He stated he did not know that his name appeared in official corporate documents or that his name and picture appeared on the corporate website.

Investigators obtained a copy of the manual which consisted of 12-pages, primarily providing guidance on dining etiquette. Although more than half of the football team recalled receiving an etiquette manual, the athletic director, head football coach and director of football operations informed investigators that they did not know about, and had not approved, ordered, or ever seen this manual.

The associate athletic director had authority to make purchases such as the etiquette manual. Considering the undisclosed relationship between the associate athletic director and the vendor, however, Athletic Department management could not determine whether the purchase was in the Athletic Department's best interest. Government officials hold a position of public trust and therefore must strive to hold themselves and their employees to the highest standards. Officials should not engage in any action, whether specifically prohibited by statute, regulation, or policy, which might result in or create the appearance of private gain, preferential treatment, or impeding government efficiency.

2. DEPARTMENT STAFF USED UNIVERSITY PURCHASE CREDIT FROM A SPORTS AND FITNESS COMPANY TO PROVIDE SHOES AND SPORTS APPAREL TO FAMILY AND FRIENDS

For the period August 2015 through June 2018, several Athletic Department staff used university purchase credit to obtain at least \$34,084 in athletic shoes and sports apparel for friends and family members. MTSU had a contract with a sports and fitness company that, among other things, provided a specified amount of retail purchase credit that enabled coaches and athletic staff to obtain free apparel and other items. The contract specified that the free products and apparel were "for use by (or in connection with) the Covered [athletic] Programs, clinics, camps, Coaches, Staff and such other purposes as UNIVERSITY and/or Director of Athletics may deem appropriate to

support the relationship between the parties.” The contract also restricted the authority to place orders for these items to certain Athletic Department staff.

The investigation also revealed that, in November 2016, an associate athletic director used this university purchase credit from the sports and fitness company to acquire apparel valued at \$1,225 for the benefit of a private organization with which he was personally affiliated. The associate athletic director told investigators that he initially planned to reimburse the university for the cost of these items. The contract with the sports and fitness company, however, prohibited this type of use of the free products and apparel. The associate athletic director told investigators that he ultimately neither received the clothing items nor reimbursed the university for the cost – he asserted that the clothing items were repurposed by the Athletic Department. Investigators could not confirm the disposition of the apparel.

Investigators also determined that notwithstanding contractual restrictions on purchasing authority, at least one Athletic Department employee improperly gave family members and friends direct access to the university’s vendor account, allowing them to order products and apparel using the university’s retail purchase credit.

The Athletic Department neither monitored nor tracked purchase credit orders to determine if they were made in accordance with contract terms, or in accordance with the university’s acceptable use practices. The athletic director failed to provide any guidance to staff concerning the purchase and acceptable use of these products and apparel.

INTERNAL CONTROL DEFICIENCY

Our investigation revealed the following deficiency in internal controls:

Deficiency: Inadequate oversight of use of Sponsorship Trade

Athletic Department officials failed to provide oversight or adequately monitor the use of Sponsorship Trade (trade), agreements providing the MTSU Athletic Department to receive certain goods and services from local vendors in exchange for MTSU’s promotional acknowledgement of the vendors. Select staff in the athletic director’s office were permitted to authorize the use of trade (Sponsorship Trade transactions). In some instances, however, authorized staff members requesting use of trade goods and services also approved their own request with no oversight. In several instances, an associate athletic director obtained trade goods and services for non-university organizations, ostensibly for outreach. The benefit to the Athletic Department was unspecified and undetermined. In addition, some of the request forms included

inaccuracies related to the nature and location of the actual events at which the trade goods and services were to be used.

Officials should carefully consider the benefits to the Athletic Department when evaluating the use of Sponsorship Trade goods and services. Inadequate oversight increases the risk that these goods and services could be used for purposes that do not benefit MTSU or the Athletic Department.

Officials with Middle Tennessee State University Athletic Department indicated they are establishing new practices and procedures to correct the above noted findings and internal control deficiency.
