

A FINANCIAL AND MANAGEMENT REVIEW OF THE PIAA

Report Highlights

During 1998, the Senate Special Committee on Interscholastic Athletics conducted an in-depth inquiry into the operations of the Pennsylvania Interscholastic Athletic Association (PIAA). Subsequent legislation, Act 2000-91 created the Pennsylvania Athletic Oversight Council and directed the LB&FC to conduct an annual “financial and management review” of the PIAA. This is our first such review.

Overall Conclusion: The PIAA has made a number of important policy, management, and operational changes in response to the Senate Special Committee’s report and Act 2000-91. While these actions represent important progress, current PIAA practices continue to fall short of “best business and accounting practices” in a number of areas. In short, more remains to be done if a complete reform of the PIAA, as envisioned by the Senate Special Committee, is to be accomplished.

Key Findings:

- **PIAA Revenues and Expenditures.** In FY 2000-01, PIAA headquarters had expenditures of \$4.0 million; total PIAA spending, including the 11 PIAA districts, was \$8.7 million. Total revenues were \$8.1 million, most of which comes from ticket sales to PIAA-sponsored games.
- **PIAA Financial Condition.** Despite recent increases in school membership dues and game ticket prices, the PIAA continues to incur annual operating deficits and reductions in its net worth. The PIAA headquarters had an operating deficit of \$112,000 in FY 2000-01 and has seen its net worth decline by 84 percent since FY 1996-97.
- **Spending Policies and Guidelines.** The PIAA has not initiated a formal review of expenses and has not established specific spending guidelines or expense reimbursement policies. The PIAA also does not have written guidelines governing the staff’s use of corporate credit cards. Documentation for many of the credit card purchases we examined was missing or incomplete.
- **Questionable Expenditures.** A number of PIAA expenditures appear questionable, especially in light of its current financial condition and general spending guidelines that apply to nonprofit organizations. These include: spending for snacks and luncheons for PIAA staff; rings, watches, blazers, and other apparel purchased for Board Members and staff; reimbursement for Board Member attendance at championship events; conference and out-of-state meeting expenses; and officials’ conventions.
- **Competitive Bidding.** The PIAA’s competitive bid policy is limited in scope and applies only to certain merchandise and services. During FY 2000-01, the PIAA awarded several contracts without a competitive bid, including one for printing with a value of \$149,235 and another for \$59,820 for trophies.
- **Game Managers.** The PIAA employs “game managers” to administer playoff and championship events. While the PIAA has changed some game manager procedures, the managers continue to use cash gate receipts to pay expenses at many games. We also noted delays in depositing game receipts and various compliance issues in game manager reports.
- **Employee Performance Evaluations.** The PIAA appears to have made progress in establishing a formal employee performance evaluation system. PIAA officials did not, however, provide access to documents we needed to independently verify their adherence to this process.
- **Various Compliance Issues.** The PIAA headquarters is in conformance with accepted accounting practices, and is generally in compliance with requirements for a nonprofit organization. The PIAA, however, is not in full compliance with its Open Meetings Policy and has not issued a required annual report in more than two years.

Recommendations:

- *The PIAA Board of Directors should work with the Oversight Council to resolve the question of whether the PIAA should continue to function as a corporate headquarters and 11 relatively autonomous districts, or as a single statewide entity with consistent operating policies and procedures. The PIAA should also take further actions to stabilize the organization’s financial condition and ensure that funds are used only for necessary purposes; establish more stringent requirements for staff documentation of expenses; eliminate the practice of paying event workers in cash; prohibit Board Members from serving as game managers; and develop a PIAA-specific accounting manual. Other recommendations relate to timely deposit of game revenues, the distribution of an annual report, and sunshine compliance.*