



Report on the Minnesota State High School League

Fiscal Year 2015

Report

To the

Legislature

As required by

Minnesota Statutes,

section 128C.20

COMMISSIONER:
Brenda Cassellius, Ed. D.

**Report on the Minnesota State
High School League**

January 2015

**Fiscal Year 15
Report to the Legislature**

FOR MORE INFORMATION CONTACT:

Sara Winter

Division of Compliance and Assistance

651-582-8237

sara.winter@state.mn.us

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section 128C.20

Cost of Report Preparation

This report provides information that is maintained and published by the Minnesota Department of Education (MDE) as a part of its normal business functions. Therefore, the cost information reported below does not include the cost of gathering the data but rather is limited to the estimated cost of actually analyzing the data, determining recommendations, and preparing this report document.

Special funding was not appropriated for the costs of preparing this report.

The estimated cost incurred by MDE in preparing this report is \$350.

Estimated costs are provided in accordance with Minnesota Statutes, section 3.197, which requires that at the beginning of a report to the Legislature, the cost of preparing the report must be provided.

Purpose of the Report

Minnesota Statutes, section 128C.20, Subdivision 1, require the Commissioner of Education (Commissioner) to conduct an annual review of the Minnesota State High School League (MSHSL). The MSHSL “is a nonprofit corporation that is a voluntary association of high schools . . . whose governing boards have delegated their control of extracurricular activities . . . to the [MSHSL].” Minn. Stat. § 128C.01, Subd. 1. Minnesota Statutes, section 128C.20, Subdivision 1, specifically directs the Commissioner to obtain and review the following information about the MSHSL:

1. An accurate and concise summary of the annual financial and compliance audit prepared by the state auditor that includes information about the compensation of, and the expenditures by, the executive director of the MSHSL and MSHSL staff;
2. A list of all complaints filed with the MSHSL, all lawsuits filed against the MSHSL, and the disposition of those complaints and lawsuits;
3. An explanation of the executive director’s performance review;
4. Information about the extent to which the MSHSL has implemented its affirmative action policy, its comparable worth plan, and its sexual harassment and violence policy and rules; and
5. An evaluation of any proposed changes in MSHSL policy.

The Commissioner has obtained the following sources of data for this report: correspondence from the President of the MSHSL Board of Directors (Board President); Notice of Pay Equity Compliance presented to MSHSL by Minnesota Management & Budget (MMB) dated February 14, 2013; MSHSL 2013-14 Annual Report; and the State of Minnesota, Office of the State Auditor, Management Letter as a Result of the Audit of the MSHSL, for the year ended July 31, 2013.

State Auditor’s Financial and Compliance Audit

The Commissioner must obtain and review an accurate and concise summary of the annual financial and compliance audit prepared by the state auditor that includes information about the compensation of, and the expenditures by, the executive director of the MSHSL and MSHSL staff.

The Minnesota State Auditor’s report reviewed the basic financial statements of the MSHSL for fiscal year 2013. In its management letter, the state auditor included the following schedule of findings and recommendations:

1. Each region has an administrative secretary who is responsible for the accounting functions. Establishing and maintaining internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information is the responsibility of each regional secretary, each regional committee, and the MSHSL. Adequate segregation of duties is a key internal control in an organization’s accounting system.

Management of each region and the MSHSL are responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Due to limited number of staff, the management of eight regions requested the Office of the State Auditor prepare the financial statement information and related note disclosures included in the audited financial report of the MSHSL.

The size of the regions and their staffing limits the internal control that management can design and implement into the organization. Without proper segregation of duties, errors and irregularities may not be detected timely.

During the regional audits, material adjustments were proposed to convert five of the region's financial records to the financial statements as reported. These adjustments increased liabilities and related expenses. This arrangement is not unusual for organizations the size of the regions. The decision was based on the availability of the regions' staff and the cost benefit of using the expertise.

It was recommended that each region committee and the Board of Directors (Board) and management of the MSHSL be mindful that limited staffing causes inherent risks in safeguarding the organization's assets and the proper reporting of its financial activity. It was further recommended the region committees and the Board and management of the MSHSL continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

This was a previously reported item not resolved.

2. Tournament reports are required to be completed by the schools hosting the tournament to account for tickets sold and tournament revenue. The tournament location, activity, date, beginning and ending ticket numbers, and tickets used are to be recorded on the tournament reports. The reports are signed and submitted to the region secretaries along with the tournament revenue.

Review of the tournament revenues and reports at each of the regions found that: 1) five regions had tournament reports with missing beginning and ending ticket numbers or improper ticket numbers; 2) one region had missing tournament reports; 3) two regions had tournament reports that were not signed; and 4) two regions had tournament reports with ticket numbers that did not reconcile to the revenue received or recorded in the general ledger.

Many tournaments are held at numerous sites statewide. Tournaments are often staffed with workers who have no prior tournament experience which has the effect of inaccurate tournament records and reporting of tournament revenues. Tournament workers do not take the proper care to accurately record tournament activity.

It was recommended that region secretaries more closely monitor site personnel and tournament managers to ensure that tournament reports are complete, accurate, and submitted for all tournaments.

This was a previously reported item not resolved.

3. Reconciliations are control activities which involve the comparison of two sets of related records or balances from different sources. Effective reconciliations identify differences between the records or balances. When differences are found, one should then investigate why the differences exist and resolve the differences in a timely manner.

Based on the performance of a proof of cash for three of the regions audited, it was determined that certain items included in the regions' bank reconciliations were incorrect. Items included incorrect amounts for deposits in transit, checks listed as outstanding that had actually cleared, and reconciliations to incorrect book balances.

Reconciliations are a tool to help ensure cash records are complete and accurate. Without proper reconciliations, the regions have no assurance that the book balance is accurately stated. Complete and accurate bank reconciliations would provide evidence that all funds received and disbursed through the checking account have been properly recorded in QuickBooks. Based on the bank reconciliation process performed, the region secretaries were unaware that the bank reconciliations contained errors.

It was recommended that region secretaries reconcile the bank balance to the actual book balance. It was further recommended that region secretaries perform a year-end proof of cash to ensure that bank transactions have been properly recorded as inflows and outflows on the region's general ledger.

This was an item arising this year.

In accordance with Minnesota Statutes, section 128C.12, the state auditor performed tests of compliance with appropriate laws and regulations. In connection with their audit, nothing came to their attention that caused them to believe that the MSHSL failed to comply with the provisions reviewed. However, their audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had additional procedures been performed, other matters may have come to their attention regarding the MSHSL's noncompliance with the provisions reviewed.

A. Compensation of the MSHSL's Executive Director and Staff

According to the Board President, staff salaries are based on a range established by the Board. Salaries are based, among other criteria, upon a comparison of similar athletic and activity associations in the states that comprise the Big Ten athletic conference (Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, Pennsylvania, and Wisconsin). The MMB formerly known as Department of Employee Relations (DOER) affirmed MSHSL's compliance with pay equity laws in a letter to the MSHSL dated February 14, 2013.

B. Expenditures of the MSHSL's Executive Director and Staff

According to the Board President, the director and his staff were reimbursed a total of \$19,743 for statewide travel during the 2013-14 school year. The Board President states that expenses are reimbursed as identified in the Board of Directors policy and in Minnesota Statutes, section 43A.18, Subdivision 2, the Commissioner's Plan.

Complaints and Lawsuits

The Commissioner must obtain and review a list of all complaints filed with the MSHSL, all lawsuits filed against the MSHSL, and the disposition of those complaints and lawsuits.

State law does not establish a dispute resolution method for the MSHSL, but the MSHSL has established a policy for hearing disputes regarding student eligibility, including hearing and hearing review procedures.

Descriptions of the hearings held during the 2013-14 school year are as follows:

- October 31, 2013 – Bylaw 201, Amateur Status
Independent Hearing Officer recommended and Board approved the student's immediate eligibility for varsity competition at the current school.
- December 3, 2013 – Bylaw 111, Transfer and Residence
Independent Hearing Officer recommended and Board approved the student's ineligibility for varsity competition for 365 days commencing from the first day of the student's enrollment at the new school.
- December 4, 2013 – Bylaw 111, Transfer and Residence
Independent Hearing Officer recommended and Board approved the student's ineligibility for varsity competition for a period of 365 days commencing from the first day of the student's enrollment at the new school.
- December 11, 2013 – Bylaw 111, Transfer and Residence
Independent Hearing Officer recommended and Board approved the student's eligibility for varsity competition commencing from first day of the student's enrollment at the new school.
- January 17, 2014 – Bylaw 111, Transfer and Residence
Independent Hearing Officer recommended and Board approved the student's ineligibility for varsity competition commencing for a period of one calendar year commencing from the first day of the student's attendance at the new school.
- April 16, 2014 – Bylaw 111, Transfer and Residence
Independent Hearing Officer recommended and Board approved the student's ineligibility for varsity competition for a period of 365 days commencing from the first day of the student's enrollment at the new school.

- May 20, 2014 – Bylaw 111, Transfer and Residence

Independent Hearing Officer recommended and Board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the first day of the student's enrollment at the new school.

- June 25, 2014 – Bylaw 111, Transfer and Residence

Independent Hearing Officer recommended and Board approved the student's immediate eligibility for varsity competition at the new school.

Executive Director's Performance Review

The Commissioner must obtain and review an explanation of the executive director's performance review. The annual evaluation of the executive director was completed in May 2014 and is positive. According to Board President:

David Stead's leadership and his ability to delegate tasks and duties to good people are two of his greatest strengths. He is truly committed to all the schools and students in Minnesota and as I have observed him at Board meetings, at state contests, and in the office, I feel very fortunate that David Stead is our executive Director.

I have found David Stead to be a gifted leader. I would rank him in the top one percent of all the CEO types that I have ever worked with. He is personable and professional, compassionate and understanding, and has excellent, high standards for himself and his staff at the MSHSL office. He creates open lines of communication between himself, the member schools, the student participants, school administrators, officials and coaches.

MSHSL Program Implementation

The Commissioner must obtain and review information about the extent to which the MSHSL has implemented its affirmative action policy, its comparable worth plan, and its sexual harassment and violence policy and rules.

According to the Board President, the Board's affirmative action policies ensure that jobs within the MSHSL are equally accessible to all qualified persons. The Board President states that staff follows Minnesota Statutes, section 128C.15, Subdivision 2, when employment opportunities become available. In addition, employment information is placed on the MSHSL's website and communicated directly to member schools.

According to the Board President, the MSHSL's comparable worth plan was initially adopted in the fall of 1988. A consultant was subsequently hired to evaluate jobs and assign pay grades. The comparable worth plan submitted by the consultant was approved by the Board on August 14, 1997. The MSHSL completed and filed its most recent Pay Equity Report with MMB and the Notice of Pay Equity Compliance was received and dated February 14, 2013.

According to the Board President, the MSHSL's Sexual, Racial, and Religious Harassment and Violence and Hazing Policy was adopted as a Bylaw, and it is published statewide in the

MSHSL Official Handbook and on the MSHSL website. The MSHSL has shared the vision of the harassment/hazing policy with all of the states in the National Federation of State High School Associations. The MSHSL has provided information relative to the "Bullying Bill" contemplated by the Legislators during the 2013 session.

In addition, the MSHSL's TeamUp program provides a DVD to all member schools regarding hazing. This DVD was developed by the Rochester, Minnesota school district in conjunction with the Rochester, Minnesota Police Department. The MSHSL Staff also conducts area meetings throughout the state and has addressed record keeping ideas for activity directors when students have indicated that they have been bullied.

Evaluation of Proposed Changes in League Policy

The Commissioner must obtain and review an evaluation of any proposed changes in MSHSL policy. The Board President provided a copy of policies that were developed and revised and approved by the Board, which provided the changes as follows:

- Football Scheduling Revision – Outlining district football scheduling effective with the 2015-16 school year.
- Home School Members of the MSHSL – Outlining requirements for non-resident home school students who wish to participate in high school activities effective with the 2014-15 school year.
- IEP/504 Transfer Student Review – Outlining the MSHSL procedure making a student with an individualized education program or 504 plan, who transfers from one public school to another public school as a reasonable accommodation to reduce barriers to educational access, immediately eligible to participate in league-sponsored varsity competition on the same basis as other students in the school to which the student transfers pursuant to Minnesota Statute section 128C.02, subdivision 5.
- MSHSL Bylaw 111.1C – Domestic Students: Outlining process for a student who transfers from one MSHSL member school to another MSHSL member school's varsity eligibility.
- MSHSL Bylaw 201.2 – Amateur Status: Outlining criteria of a student's amateur status.
- MSHSL Bylaw 205.00 – Chemical Eligibility: Outlining amateur status reimbursements and participation with a professional team or organization and chemical eligibility.
- MSHSL Bylaw 208.4 – Non-School Competition and Training: Clarifying the no-contact period provisions.
- MSHSL Bylaw 208.71 – Definitions: Defining football practice, football contact practice and football recovery period, and outlining a corresponding policy.
- MSHSL Bylaw 304.3.A.2 – Ineligible Student: Applying the Penalty: Deleting language to ensure use of an ineligible student in all circumstances has the same application of penalties and suspensions.
- MSHSL Bylaw 403.3(B) – Cooperative Sponsorships: Outlining the process relative to cooperative sponsorships.

- MSHSL Bylaw 411.2 – Scheduling of Contests: Outlining the scheduling of contests of member schools with non-member schools.
- MSHSL Bylaw 502.00 – Football Daily Limit: Outlining daily participation limits on individual football players.
- MSHSL Bylaw 508.2 – Pre-Season Practice/Heat Acclimatization Policy: Outlining criteria for football practice during the heat acclimatization period.

Conclusion

Minnesota Statutes, section 128C.20, Subdivision 1, require the Commissioner of MDE to conduct an annual review of the MSHSL. This report documents the required review.