



Report on the Minnesota State High School League

Fiscal Year 2016

Report

To the

Legislature

As required by

Minnesota Statutes,

section 128C.20

COMMISSIONER:
Brenda Cassellius, Ed. D.

**2015 Report on the Minnesota
State High School League**

January 2016

**Fiscal Year 2016
Report to the Legislature**

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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 2014, 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.
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 July 15, 2015.
- MSHSL 2014-15 Annual Report.
- 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, 2014.

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 2014. 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) four regions had tournament reports with missing beginning and ending ticket numbers or improper ticket numbers; 2) four regions had tournament reports that were not signed; and 3) five 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.

It was determined that certain items included in two of the regions' bank reconciliations were incorrect, including incorrect items for deposits in transit and outstanding checks.

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. 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 and general ledger balances and perform a year-end proof of cash procedure to ensure that transactions have been properly recorded.

This was a previously reported item not resolved.

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). Minnesota Management and Budget (MMB) affirmed MSHSL's compliance with pay equity laws in a certificate dated July 15, 2015.

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 \$20,991 for statewide travel during the 2014-15 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 2014-15 school year are as follows:

- September 15, 2014 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the student's first day of attendance or participation in athletic program.
- September 19, 2014 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the student's first day of attendance or participation in athletic program.
- November 5, 2014 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the student's first day of attendance or participation in athletic program.
- December 8, 2014 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of 365 days commencing from the first day of the student's attendance at the new school.
- January 8, 2015 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the student's first day of attendance or participation in athletic program at the new school.
- March 27, 2015 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of 365 days commencing from the first day of the student's attendance at the new school.
- May 27, 2015 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of one calendar year commencing from the student's first day of attendance or participation in athletic program at the new school.
- July 23, 2015 – Bylaw 111, Transfer and Residence
Independent hearing officer recommended, and the board approved the student's ineligibility for varsity competition for a period of 365 days commencing from the first day of the student's attendance 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 2015 and is positive. According to the board president:

[Executive Director] has shown great leadership in all areas of his job. He immediately welcomes and orientates new board members so that they can become involved at their first meeting. He makes sure that everyone's opinion is heard and validated. It is with this type of leadership that we get such well-rounded and thought out decisions. [Executive Director] fosters an environment of trust and cohesiveness among the board members, building the teamwork necessary for success.

[Executive Director] continues to do an exemplary job as he has for a long time. He doesn't show any signs of slowing down or coasting along. He continues to be on the forefront of major issues that are facing many states nationwide making sure that Minnesota continues to be a leader in educational activities. He is an outstanding leader who has earned a great deal of respect from his colleagues nationally, at the league office, and from our member schools.

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 July 15, 2015.

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 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 by the board, as well as changes to the bylaws which were approved by the Representative Assembly, as follows:

- Transgender Eligibility Appeal Procedures for a Male to Female (MTF) Student – Outlines the procedure to appeal a school's transgender eligibility determination.

MDE recommends the MSHSL revise its Transgender Eligibility Appeal Procedures to be consistent with recent relevant United States Department of Education, Office for Civil Rights, resolution agreements. Specifically, MDE recommends that the procedures be revised as follows:

- Permit transgender students to participate in athletics in a manner consistent with their gender identity.
 - Hear appeals regarding eligibility only after a school district has issued a determination of ineligibility based on the Student's gender identity.
 - Apply equally to male and female students.
 - Not include onerous documentation requirements.
- Unmanned Aerial Vehicle (Drone) Policy – Prohibits the use of unmanned aerial vehicles for any purpose by any person at MSHSL post-season tournament venues.
 - 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 education to conduct an annual review of the MSHSL. This report documents the required review.