

The California State Auditor released the following report today:

State Athletic Commission

Its Ongoing Administrative Struggles Call Its Future Into Question

BACKGROUND

The State Athletic Commission's (commission) primary duty is to protect the health and safety of athletes by regulating events. It is also responsible for setting standards for amateur and professional boxing, kickboxing, and mixed martial arts, and for issuing licenses to promoters, managers, referees, trainers, and athletes. The commission is intended to be self-supporting—paying for its operations using taxes, assessments, and fees collected from the events it regulates, and the Department of Consumer Affairs (Consumer Affairs) has general oversight authority for the commission. Consumer Affairs provides legal, human resources, accounting, legislative services, and budgeting support and assistance to the commission.

KEY FINDINGS

During our review of the commission and Consumer Affairs, we noted the following about the commission:

- Inadequate management contributed to its near insolvency—fiscal year 2011–12 ended with the commission having a fund balance of only \$23,000.
 - ✓ When informed of the commission's unstable financial condition, the former executive officer failed to implement budgetary and fiscal controls over the commission's revenues and expenditures and failed to promptly notify the commissioners of the state of the budget.
 - ✓ The commission did not formally begin to take steps to address its financial stability until six months after the former executive officer learned that the fund balance was dangerously low.
- Its solvency plan lacks practical long-term solutions for addressing its financial stability, and includes drastic and unrealistic cuts—a 39 percent decrease in planned spending—and does not contain any strategies to increase revenue.
- It has not adequately tracked fundamental components of its operations, such as the number of events that it regulated, the revenues and expenditures associated with those events, the number of athletic inspectors (inspectors) assigned to each event, and the number of athletes it licenses, which leads us to question whether it has ever operated efficiently or effectively.
- Although the commission relies on inspectors to oversee events to protect the health and safety of athletes, the commission could not demonstrate that inspectors had consistently performed their mandated responsibilities to ensure the safety of the ring or cage and the athletes' equipment and gear, nor that it complied with state-mandated training requirements for inspectors.
- The commission has not appropriately administered the Boxers' Pension Plan for which it is responsible and thus, has not maximized the money available to boxers or their beneficiaries.
- The commission has historically had difficulty correcting, within a reasonable amount of time, issues raised by other audits and reviews during the past 10 years that repeatedly brought to the commission's attention many of the same deficiencies raised in this report.

KEY RECOMMENDATIONS

We made numerous recommendations to the commission including that the executive officer work with the commissioners to establish responsibilities for communicating with commissioners. We also made several recommendations to ensure the commission's financial stability and recommend that it work with Consumer Affairs to establish a long-term financial plan that contains specific elements. Further, we made other recommendations geared towards the commission adequately tracking critical information related to its basic functions and mission and to improve its processes for collecting revenue. Moreover, we recommended transferring the commission's responsibilities to Consumer Affairs if it cannot correct its deficiencies within a reasonable amount of time.