

December 30, 2019

Alexis Podesta, Secretary  
California Business, Consumer Services and Housing Agency  
915 Capitol Mall, Suite 350-A  
Sacramento, CA 95814

Dear Ms. Alexis Podesta,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Athletic Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Andy Foster, Executive Officer, at (916) 263-2478, [Andy.Foster@dca.ca.gov](mailto:Andy.Foster@dca.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

The California State Athletic Commission (Commission) is dedicated to the health, safety and welfare of participants in regulated combat sporting events, through ethical and professional service.

### **Strategic Goals & Objectives**

Goal 1: Health and Safety: The Commission fosters a safe and healthy environment for participants in regulated combat sporting events.

- Educate licensees with regards to the health and safety rules (e.g. weight cutting, hydration, using performance enhancing drugs) to keep licensees safe.
- Enhance drug testing practices to reduce doping violations and protect licensees.
- Research and analyze the data on concussion management protocol to further enhance and improve health and safety of fighters and contribute to global awareness.
- Educate fight matchmakers on making the right matches in the appropriate weight class to strengthen matchmaking skills.
- Increase resources needed to adequately address health and safety concerns.
- Advocate for more uniform testing globally to protect athletes.
- Reach out to Native American tribes and international stakeholders to strengthen relationships and be invited to assist with regulatory enhancements to the health and safety of fighters worldwide.

Goal 2: Licensing: The Commission is an international leader in promoting licensing standards for participants in regulated combat sporting events.

- Acquire a licensing database with online capabilities to be more efficient and save resources.

Goal 3: Enforcement: The Commission protects consumers by preventing violations and effectively enforcing laws and regulations when violations occur.

- Increase resources to identify unlicensed activity to protect the public.
- Develop training and evaluations for inspectors, referees, and judges to improve fights and preserve a sense of fairness.
- Expand California State Athletic Commission's online presence to promote and educate about the Commission worldwide.

Goal 4: Legislation, Regulation and Policy: The Commission pursues statutes, regulations, policies and procedures that strengthen and support their mandate and mission.

- Identify needed legislation or regulation to anticipate challenges and increase revenues and efficiency.
- Improve communication with DCA to keep abreast on the status of regulations.
- Recommend proposed legislation that seeks necessary fee increases to keep up with costs and increase resources.
- Streamline the process of approving regulations to allow for quicker implementation of regulations.

Goal 5: Organizational Effectiveness: The Commission builds an excellent organization through proper governance, effective leadership and responsible management.

- Create a succession plan to keep institutional knowledge and functionality of the Commission.
- Work with DCA to separate duties and the pay scale for the lead athletic inspector versus athletic inspector positions to enhance recruitment, retention, and accountability.
- Research online training options for inspectors to increase efficiency.
- Provide training to staff on public relations and building relationships to increase efficiency.
- Formally acknowledge that obtaining a license does not create entitlement to assignments.

Goal 6: Pension Plan: The Commission effectively manages the California Professional Boxers Pension Plan.

- Explore broadening the Pension Plan to include Mixed Martial Arts athletes to fill a perceived need and protect and service our stakeholders.
- Explore options to increase outreach to fighters who are entitled to receive the pension.
- Obtain bids to contract out a private investigator on locating eligible boxers to pay pensions out to entitled fighters.

Goal 7: Outreach: The Commission proactively communicates its mission, vision and goals to stakeholders.

- Investigate mandatory meeting requirements for specific licensees to further educate licensees and build relationships.
- Promote the benefits of participating in combat sports to the public to address damaging perceptions.
- Allow the Executive Officer to attend more industry events to market the commission, increase exposure, and keep informed on the industry.
- Allow staff to attend industry events to promote the commission, remain informed, and build

relationships.

## **Control Environment**

The Executive Officer (EO), Andy Foster, is the head of the Commission and is responsible for the overall establishment and maintenance of the internal control and monitoring systems. The Executive Officer reports directly to a Commission of 7 members that are appointed by the Governor, the Senate Committee on Rules and the Speaker of the Assembly. The EO maintains regular communication with the Chair of the Commission as well as weekly reports to all Commission members, per Commission Policy. Executive management is responsible for recruitment and ensures a competent workforce, evaluates staff performance and enforces accountability.

Management establishes integrity and ethical values by demonstrating respect, dedication to a job well done, collaboration with staff on important issues arising, establishing an employee code of conduct, and ultimately gaining employees' trust. Management regularly coaches and trains staff on excellent customer service and commitment to our licensees.

The Commission's primary functions are licensing, regulation of events, and enforcement. California Code of Regulations section 206 states the jurisdiction, duties and responsibilities of all commission representatives and employees shall be established by the Executive Officer, subject to the approval of the Commission.

Management documents all processes and procedures by developing and regularly updating Standard Operating Procedures, which are maintained in a centralized location on a shared electronic file, distributed to all staff via email and a printed hard copy.

Management fills vacancies as needed and works to recruit the best possible candidate by utilizing screening criteria and best practices. In addition to the recruitment of civil service staff in the office, the Executive Officer works diligently to recruit the best possible officials for the high-level matches held in California. Recruitment of these officials in boxing often involves input from sanctioning body stakeholders such as the World Boxing Council (WBC), International Boxing Federation (IBF), World Boxing Organization (WBO), World Boxing Association (WBA), and International Boxing Organization (IBO). Recruitment of the officials in mixed martial arts requires analysis from Pod Index, MMA Decisions, or any other analytical tools available to ensure that high level judges and referees are officiating high level mixed martial arts, and the highest-level judges and referees are officiating the title fights in UFC and Bellator. We also host regular trainings for the officials so that they are the most competent in the country.

Management works with staff on Individual Development Plans and provides opportunities for staff to grow in their careers. These opportunities include training through the Department of Consumer Affairs (DCA), internal cross training amongst staff, and outside training provided by private vendors or other state agencies such as CalHR and Office of Administrative Law. Staff also have opportunities to apply and participate in DCA's Mentorship Program. Management holds all staff accountable for their workload and actions by holding counselling sessions, issuing counselling memorandums, and if needed, formal discipline.

## **Information and Communication**

The Commission has several means to share information regarding operational, programmatic and financial decision making. The Assistant Executive Officer works closely with the EO and meets regularly to discuss areas of concern associated with the industry, internal and external risks to the Commission, staff performance, staff accountability, field operations, and fiscal concerns. The EO also provides weekly or biweekly EO Reports to the Commissioners containing updates regarding the budget, administrative issues, staffing updates, industry concerns, and upcoming events.

In addition, the Commission meets five times per year in a public setting to handle matters relating to licensure and appeals of license denials, suspension and fines, propose and review regulations or legislation focused on maintaining the health and safety of fighters, oversee its delegated entities, consider issues related to the Boxer Pension Program and the Neurological Examinations Account, evaluate funding and revenue strategies, and address a variety of topics brought forth by stakeholders.

Management conducts regular staff meetings at least bi-weekly; The EO, AEO and Chief Athletic Inspector maintains regular communication via telephone and/or email with all Athletic Inspectors. The Athletic Inspectors attend mandatory training at least twice per year. Management is in the testing stages of utilizing TEAMS, an online Microsoft program used to share electronic files, instant messaging, and live video meetings, and hopes to have all staff on board with TEAMS in the next few months.

## **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the State Athletic Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:  
Andy Foster, Executive Officer; and Sophia Cornejo, Assistant Executive Officer.

The Commission's EO reports risks and risk management strategies to the Commissioners on a weekly basis and at the Commission's public meetings five times per year. The following activities are performed to ensure internal controls are effective:

- EO meets regularly with executive management to discuss the day to day operations;
- Executive management holds routine staff meetings and one-on-one meetings with staff regarding staff performance and expectations;
- Routine internal audits are conducted on Event Packets to determine effectiveness of internal procedures and processes in place;
- Comparison of audit results to determine if change is needed; and provides
- Continuous monitoring of processes in place.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the State Athletic Commission risk assessment process: executive management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, and external stakeholders.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

## **RISKS AND CONTROLS**

### **Risk: Lack of Internal Tracking System**

The Commission lacks adequate systems to collect, process and track licensing and enforcement workload. The use of workaround systems creates inefficiencies and operational deficits for workload tracking, business analytics and actionable data for management decisions.

#### **Control: Business Modernization Plan**

The Commission, in conjunction with the Department of Consumer Affairs (DCA), has developed a Business Modernization Plan to effectively facilitate the analysis, approval, and potential transition to a new licensing and enforcement platform. The Plan outlines an approach to identifying the Commission's specific business needs, determining cost-effective options, and proposes initial schedules. The Plan also considers the impacts and requirements of the Project Approval Life-cycle (PAL), the project approval process required by the California Department of Technology. The thorough planning, business analysis, and Commission-specific nature of this effort will ensure success.

### **Risk: Boxer Pension Plan**

The Commission is responsible for administering the Boxer Pension Plan. Lack of administrative and fiscal resources make it difficult to fully run this program at an acceptable level.

#### **Control: Outreach**

The Commission will continue to use the resources available to reach out to potential Boxer Pension Plan participants and continue to look at other possible alternative options to promote the Boxer Pension Plan.

### **Risk: Fi\$Cal Impacts to Operations**

Accurate and timely revenue and expenditure reports are not currently available from the Fi\$Cal system and this ultimately results in DCA being unable to produce timely reconciled monthly and year-end financial statements to the Commission. Specifically, the Commission is unable to access timely reports and readily validate the accuracy of data postings. This results in information lags as well as in poor, and inaccurate, real-time reporting to the Commission. Further, reports generated from the system often track awkward reconciliation points or contain incomplete or not user-friendly data. Accurate and usable reports are needed to make prudent budget and operational decisions. Special funds often have structural funding concerns, so understanding cash balances and expenditures status is essential. Although the Commission tracks its revenue internally, it does not have the administrative resources to track expenditures.

**Control: Elevating Issues to DCA**

The Commission is in communication with DCA on a regular basis to resolve open items which include posting corrections, programming concerns, and report suggestions within the system.

**Control: Independently Tracking Data**

The Commission relies on data tracking outside of the Fi\$Cal system and regularly works with budget, accounting, and business services staff at DCA to track issues and make forecasting projections. This information is often utilized for meeting materials. Additionally, the Commission requests information as needed from DCA to try to identify and fix errors.

**Risk: Reliance on Key Personnel**

The Commission does not employ a large staff, yet the Commission regulates more combat sports events than any other state Commission by a large margin. The Commission relies on key personnel to administer operations. Any long term absence of the EO, AEO, or Chief Athletic Inspector, could impact field operations and overall fighter safety and a fair regulatory environment.

**Control: Re-Establishing key positions**

The Legislature recently re-established the Chief Athletic Inspector and Assistant Chief Athletic Inspector, which are classifications unique to the Commission and will assist with regulation of events and provide business continuity among events for fighter safety and a fair regulatory environment of the industry.

**Risk: Assembly Bill 5**

It is unclear what effect, if any, Assembly Bill 5 will have on promoting large mixed martial arts events in California. In order to maintain the historical independent contractor status of the contract athletes, certain Mixed Martial Arts promoters may need to change the way they exclusively contract athletes to provide more protections and control to the athletes. Boxers are not impacted by AB 5.

**Control: Change to Contractual Agreements**

As AB 5 is interpreted by the courts and its affects on promoters becomes more clear, the Commission will evaluate whether bout agreements require changes to provide more control to mixed martial arts fighters.

**Risk: Stable Funding**

The Commission's revenues are not predictable, not always stable and fluctuate greatly depending on the number of combat sporting events held in California for which the Commission provides oversight. When the market is low, promoters either hold events elsewhere or not at all. Events held in California are the Commission's main source of funding.

**Control: Working Closely with Major Industry Stakeholders**

The Commission continues to work closely with promoters and reaches out to bring larger events to California.

**Risk: Staffing Levels**

The Commission staffing levels are inadequate to perform the functions necessary to meet the Commission's mandate, which requires redirection of resources. In addition, business processes with lower priorities are put on hold until resources are available.

**Control: Staffing Revolved around Budget**

The Commission's staffing levels are determined by the Commission's budget. The Commission would be able to seek additional staff with greater resources. This is directly tied to the Stable Funding risk as more events are needed to be held in California to increase revenues for the Commission.

**CONCLUSION**

The State Athletic Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Andy Foster, Executive Officer**

CC: California Legislature [Senate (2), Assembly (1)]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency