

ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 6, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2019

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**DR. CHRIS MAGGIO, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Natchitoches, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as President of Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited) and the compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

The procedures that we performed and our findings are as follows:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussion with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.
2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:

- (a) We randomly selected one cash receipt batch sheet of ticket sales and followed it through the University's cash control system to determine adherence to established policies and procedures.
- (b) We selected the ten largest athletic department cash disbursement transactions and followed them through the University's accounting system to determine adherence to established policies and procedures.
- (c) We inquired of and observed athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

We found no exceptions as a result of these procedures.

3. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program and performed procedures to determine the University's adherence to these procedures.

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2018.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

As a result of these procedures, we identified an understatement of \$319,697 in athletic facilities debt service, leases, and rental fees expenses due to the inadvertent omission of principal payments. We also identified \$18,931 in interest expenses which were misclassified as other operating expenses but should have been classified as athletic facilities debt service, leases, and rental fees expenses. Finally, we identified a \$5,394 understatement in athletics student aid and direct institutional support due to the University's omission of a student's Out-of-State Waiver for the spring semester. Statement A was corrected.

3. We compared and agreed a sample of three operating revenue receipts and a sample of three expense disbursements obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account over 10% of total revenues or expenses for June 30, 2018, to June 30, 2017, amounts and budget estimates, to identify variations greater than 10%.

We identified no variations greater than 10%.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Based on the University's methodology for allocating student fees to the intercollegiate athletics program, we compared and agreed student fees reported in the Statement to the student enrollment. We were to obtain explanations from the University regarding any variances in excess of 5%. We also recalculated the totals. Since the athletic department reported that an allocation of student fees should be countable as generated revenues, we recalculated the totals of its methodology for supporting that the athletic department is able to count each sport, and tied the calculation to supporting documents.

The University allocates the student fees to each sport based on actual expenses. We agreed the student fee revenue allocated to each sport to the amount of student fees actually spent on each sport for the fiscal year. We found no exceptions as a result of these procedures and identified no variances that exceed 5%.

2. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

As noted above, we noted a \$5,394 understatement in direct institutional support due to the University's omission of a student's Out-of-State Waiver for the spring semester. Statement A was corrected.

3. We compared indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation. We recalculated the totals.

We noted understatements totaling \$45,037 due to formula errors in the spreadsheets used to create the NCAA Statement of Revenues and Expenses. We also noted overstatements in indirect institutional support reported for fund raising, marketing, and promotion expenses totaling \$1,063. Statement A was corrected.

4. We selected a sample of two contractual agreements pertaining to revenues from guaranteed contests during the reporting period. We compared and agreed the contractual agreements for each selection to the University's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We compared the NCAA distribution amounts reported as revenues and expenses during the reporting period to the general ledger and other corroborating supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. Based on the relevant terms and conditions of agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 10% of total student athletes from the listing of University student aid recipients, obtained individual student-account detail for each selection, and compared total aid in the University's student system to the student detail in the NCAA's Compliance Assistant software (CA). We performed a check of each student selected to ensure their information was reported accurately in the NCAA's CA software using NCAA specified criteria. We recalculated the totals for each sport and overall.

We found no exceptions as a result of these procedures.

2. We obtained from management a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period and selected a sample of three coaches' contracts for football and men's and women's basketball and a sample of two staff/administrative personnel. The following procedures were performed:
 - (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
 - (b) We obtained and inspected payroll summary registers for the reporting period for each selection.
 - (c) We compared and agreed related payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.
 - (d) We compared and agreed the totals recorded to the employment contracts executed for the sample selected.

- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We compared and agreed the University's team travel policies to existing University and NCAA-related policies. We also obtained the general ledger detail and compared to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

1. We agreed the total outstanding University debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

2. We agreed the total fair market value of University endowments to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

3. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained and compared the general ledger detail to the total expenses reported. We also recalculated the totals.

We noted a \$17,491 overstatement of athletics related capital expenditures due to the University's erroneous inclusion of operating expenses. We considered selecting a sample of three transactions and validating the existence of the transactions and the accuracy of their recording but the athletics related capital expenditures, as adjusted, consisted solely of transactions of the Demons Unlimited Foundation (DUF). The University obtains a separate Independent Accountant's Report on Application of Agreed-Upon Procedures for DUF.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 1 to the Statement).

**MINIMUM AGREED-UPON PROCEDURES FOR
AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that DUF is the only outside organization created for or on behalf of the athletic department.

We found no exceptions as a result of these procedures.

2. We obtained from management of the University statements for all affiliated and outside organizations and we confirmed revenues and expenses with an Independent Accountant's Report on Application of Agreed-Upon Procedures for DUF.

We found no exceptions as a result of these procedures.

3. We obtained from University management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University to be included with the agreed-upon procedures report as follows:

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Contributions	\$117,682	\$124,049	\$45,480	\$296,498	\$589,877	\$1,173,586
In-kind	16,692	8,600		6,199	48,801	80,292
NCAA distributions					123,000	123,000
Program, novelty, parking, and concession sales	1,141	192	184	13,289		14,806
Royalties, licensing, advertisement, and sponsorships	9,250	1,500	1,500		767,038	779,288
Sports camp revenues		55,548		12,380		67,928
Athletics restricted endowment and investments income					133,697	133,697
Other operating revenue				30	2,876	2,906
Total revenues	<u>144,765</u>	<u>189,889</u>	<u>47,164</u>	<u>328,396</u>	<u>1,665,289</u>	<u>2,375,503</u>
EXPENSES						
Operating expenses:						
Athletic student aid	87,679	21,514	15,125	152,497	5,042	281,857
Guarantees		885	1,935	17,250		20,070
Coaching salaries, benefits, and bonuses paid by the University and related entities	43,993	46,030	79,122	124,488		293,633
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	2,700	8,200			16,971	27,871
Recruiting	64,346	15,269	12,329	41,276	2,272	135,492
Team travel	2,752	9,467	112	60,119		72,450
Sports equipment, uniforms, and supplies	38,267	4,844	5,515	170,709	48,317	267,652
Game expenses	9,881	488	531	9,941		20,841
Fundraising, marketing, and promotion	105,787	20,416	14,157	54,733	264,152	459,245
Sports camp expenses		54,719		5,965		60,684
Athletic facilities debt service, leases, and rental fees	22,236					22,236
Direct overhead and administrative expenses	3,769	2,324	692	11,903	48,330	67,018
Medical expenses and insurance	18,652				101,703	120,355
Memberships and dues	285	140	320	1,690	850	3,285
Student-athlete meals (non-travel)	435	1,934	1,826	13,197	1,670	19,062
Other operating expenses	17,660	18,671	2,743	17,387	151,231	207,692
Total expenses	<u>418,442</u>	<u>204,901</u>	<u>134,407</u>	<u>681,155</u>	<u>640,538</u>	<u>2,079,443</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$273,677)</u>	<u>(\$15,012)</u>	<u>(\$87,243)</u>	<u>(\$352,759)</u>	<u>\$1,024,751</u>	<u>\$296,060</u>

On July 23, 2008, Northwestern State University (NSU) Foundation Inc. obtained a loan for the purchase of a new scoreboard for the NSU Athletics Department. At the time of the loan, the NSU Athletic Association was operated under the auspices of the NSU Foundation. The debt and all related revenue and expenses are carried on the financial statements for the NSU Foundation. Contributions received by DUF to be applied against the indebtedness are deposited to the NSU Foundation scoreboard account. During the current year, contributions of \$204,398 were received by the DUF to be applied against the indebtedness. Principal payments of \$319,697 and interest payments of \$18,931 were made by the NSU Foundation during the current year, which paid off the loan. During the year ending June 30, 2018, interest earned on the scoreboard bank account totaled \$126. The loan is included in the Independent Accountant's Report on Application of Agreed-Upon Procedures for DUF. The principal and interest payments and interest earned are not included in the outside organizations' schedule of revenues and expenses above, but are included in Statement A.

We obtained written representations from management as to the fair presentation of the summary schedule.

We found no exceptions as a result of these procedures.

4. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The DUF's statements were audited by an independent certified public accountant for the year ended June 30, 2018. The audit report dated August 21, 2018, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. For Grants-in-Aid, we compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the Compliance Assistant (CA) system. We were to inquire about any discrepancies and report the justification.

We found no discrepancies as a result of these procedures.

2. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year and validated that the University's countable sports reported met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and participants in each contest that are counted towards meeting the minimum contest requirement. We were to ensure that the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no exceptions as a result of these procedures.

3. We agreed the total number of student athletes, who during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated from the University's financial aid records, of all student-athlete Pell Grants.

We found errors in the amounts reported in the NCAA Membership Financial Reporting System for four student athletes, resulting in a total overstatement of \$4,804.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.15 or on the effectiveness of the University Athletic

Department's internal control over financial reporting for the year ended June 30, 2018. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the President of the University and is not intended to be, and should not be, used by anyone other than this specified party. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

BEM:RJM:BH:EFS:ch

NWSU NCAA 2018

UNAUDITED

Statement A

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$187,159	\$22,864	\$22,290	\$29,738		\$262,051
Student fees	722,692	194,000	151,987	1,003,073	\$64,398	2,136,150
Direct institutional support	1,409,124	514,579	580,409	2,091,098	1,080,542	5,675,752
Indirect institutional support	48,836	13,071	13,213	79,319	712,118	866,557
Guarantees	275,000	495,000	83,000	57,500	-	910,500
Contributions	117,682	124,049	45,480	296,498	589,878	1,173,587
In-kind	16,692	8,600		6,199	48,801	80,292
NCAA distributions				37,138	641,548	678,686
Program, novelty, parking, and concession sales	15,779	192	184	13,289		29,444
Royalties, licensing, advertisement, and sponsorships	9,250	1,500	1,500		1,072,071	1,084,321
Sports camp revenues		55,548	10,031	29,880		95,459
Athletics restricted endowment and investments income					133,697	133,697
Other operating revenue	6,000			7,505	26,256	39,761
Total operating revenues	<u>2,808,214</u>	<u>1,429,403</u>	<u>908,094</u>	<u>3,651,237</u>	<u>4,369,309</u>	<u>13,166,257</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,759,043	386,823	397,288	2,316,818	50,398	4,910,370
Guarantees		16,739	11,435	30,500		58,674
Coaching salaries, benefits, and bonuses paid by the University and related entities	797,788	340,438	319,973	927,853		2,386,052
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	2,700	8,200			1,274,374	1,285,274
Recruiting	97,362	46,897	36,889	43,645	2,835	227,628
Team travel	95,529	127,109	61,727	551,401	81,049	916,815
Sports equipment, uniforms, and supplies	150,653	45,263	27,030	217,091	63,223	503,260
Game expenses	71,791	42,535	35,294	76,365	21,531	247,516
Fundraising, marketing, and promotion	106,234	21,121	14,772	55,999	307,465	505,591
Sports camp expenses		54,719	2,782	6,443		63,944
Athletic facilities debt service, leases, and rental fees	22,236				338,628	360,864
Direct overhead and administrative expenses	3,769	15,894	702	12,028	269,221	301,614
Indirect institutional support	48,836	13,071	13,213	79,319	712,118	866,557
Medical expenses and insurance	18,848	1,038	61	235	156,537	176,719
Memberships and dues	12,285	1,310	320	1,690	35,702	51,307
Student-athlete meals (non-travel)	18,544	10,602	5,013	23,262	6,614	64,035
Other operating expenses	28,127	52,999	16,209	34,284	212,751	344,370
Total operating expenses	<u>3,233,745</u>	<u>1,184,758</u>	<u>942,708</u>	<u>4,376,933</u>	<u>3,532,446</u>	<u>13,270,590</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$425,531)</u>	<u>\$244,645</u>	<u>(\$34,614)</u>	<u>(\$725,696)</u>	<u>\$836,863</u>	<u>(\$104,333)</u>

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the University does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the University follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets.