

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



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 27, 2020

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

January 14, 2020

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, 2019. 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 10 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, 2019.
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 a \$21,636 overstatement in athletics student aid and direct institutional support due to a calculation error in the valuation of Out-of-State and International Waivers. We also identified an \$18,859 understatement in indirect institutional support revenues and expenses due to a calculation error in the allocation of athletic utilities. 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, 2019, to June 30, 2018, 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 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 previously, we noted a \$21,636 overstatement in direct institutional support and athletics student aid due to a calculation error in the valuation of Out-of-State and International Waivers. 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.

As noted previously, we noted an \$18,859 understatement in indirect institutional support revenues and expenses due to a calculation error in the allocation of athletic utilities. Statement A was corrected.

4. We selected a sample of two contractual agreements pertaining to revenues derived 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 recorded in the revenues and expenses during the reporting period to the general ledger and other corroborative 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 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 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 of football and men's and women's basketball and a sample of two staff/administrative personnel and performed the following:
 - (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 year for each selection.
 - (c) We compared and agreed 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 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 noted that \$972,056 of athletics related debt that is held by the Demons Unlimited Foundations (DUF) was reported as athletics-related debt but was omitted from the total institutional debt. This resulted in an understatement of total institutional debt.

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

We noted that \$1,950,013 of athletics related endowments that is held by DUF was reported as athletics-dedicated endowments but was omitted from the institutional endowments. This resulted in an understatement of institutional endowments.

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 selected a sample of three transactions and validated the existence of the transactions and the accuracy of their recordings. We also recalculated the totals.

We noted that several operating expenses were incorrectly included as capital expenditures, which resulted in an overstatement in athletics related capital expenditures and an understatement of operating expenses by \$15,799. Statement A was corrected.

We selected the sole remaining University transaction and validated the existence of the transaction and the accuracy of its recording. The remaining athletics related capital expenditures consisted solely of transactions of 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 note 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. 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 statements were audited by an independent certified public accountant for the year ended June 30, 2019. The audit report, dated August 30, 2019, 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 compared current-year Grants-in-Aid revenue distribution equivalencies to prior-year reported equivalencies per the Membership Financial Report submission. We were to inquire and document an explanation for any variance greater than +/- 4%.

We found no exceptions as a result of these procedures and identified no variances greater than +/- 4%.

3. We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year and validated that the University's countable NCAA sports reported met the minimum requirements set forth in Bylaw 20.9.6.3, for the number of contests and participants. We ensured that the University 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.

4. We compared current-year number of Sports Sponsored to prior-year reported total per the Membership Financial Report Submission. We were to inquire and document an explanation for any variance.

We found no exceptions as a result of these procedures and identified no variances in the number of Sport Sponsored.

5. 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 no exceptions as a result of these procedures.

6. We compared current-year Pell Grants total to prior-year reported total per the Membership Financial Report Submission. We were to inquire and document an explanation for any variance greater than +/- 20 grants.

We found no exceptions as a result of these procedures and identified no variances greater than +/- 20 grants.

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 note 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, 2019. Accordingly, we do not express such an opinion or conclusion. 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, looped initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

BDM:RM:BH:EFS:aa

NSUNCAA2019

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, 2019**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$228,113	\$24,422	\$22,769	\$90,453		\$365,757
Student fees	690,090	180,330	151,485	1,102,914	\$66,381	2,191,200
Direct institutional support	1,377,124	481,427	550,512	2,044,620	1,090,248	5,543,931
Indirect institutional support	96,135	6,185	5,832	61,562	746,188	915,902
Guarantees	515,000	431,000	96,000	30,000		1,072,000
Contributions	139,143	67,647	29,324	462,780	345,433	1,044,327
In-kind	18,650	8,600	112	24,413	12,386	64,161
NCAA distributions				4,218	665,670	669,888
Conference distributions (non-media and non-bowl)				8,500		8,500
Program, novelty, parking, and concession sales	24,715	156	99	24,870		49,840
Royalties, licensing, advertisement, and sponsorships	20,250	5,000	3,000	37,500	980,929	1,046,679
Sports camp revenues		65,042	12,912	15,745		93,699
Athletics restricted endowment and investments income					116,919	116,919
Other operating revenue	4,900			8,400	60,426	73,726
Total operating revenues	<u>3,114,120</u>	<u>1,269,809</u>	<u>872,045</u>	<u>3,915,975</u>	<u>4,084,580</u>	<u>13,256,529</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,745,808	383,122	394,244	2,421,905	55,161	5,000,240
Guarantees		12,421	13,000	45,372		70,793
Coaching salaries, benefits, and bonuses paid by the University and related entities	686,020	359,682	315,715	852,765		2,214,182
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	3,000	1,760			1,323,112	1,327,872
Recruiting	83,873	54,765	49,626	52,313	3,325	243,902
Team travel	131,439	105,202	68,567	502,341		807,549
Sports equipment, uniforms, and supplies	156,744	35,165	22,696	237,735	54,933	507,273
Game expenses	73,976	45,450	38,380	95,108	29,465	282,379
Fundraising, marketing, and promotion	128,527	30,490	16,011	75,048	202,693	452,769
Sports camp expenses		49,960	4,438	2,363		56,761
Athletic facilities debt service, leases, and rental fees	167,369			6,446	14,794	188,609
Direct overhead and administrative expenses	23,568	1,262	616	29,197	279,848	334,491
Indirect institutional support	96,135	6,185	5,832	61,562	746,188	915,902
Medical expenses and insurance	13,311	1,184		13,447	149,688	177,630
Memberships and dues	12,225	1,250	325	2,105	35,310	51,215
Student-athlete meals (non-travel)	16,612	5,219	2,490	16,607	12,147	53,075
Other operating expenses	19,580	45,907	18,672	38,987	198,931	322,077
Total operating expenses	<u>3,358,187</u>	<u>1,139,024</u>	<u>950,612</u>	<u>4,453,301</u>	<u>3,105,595</u>	<u>13,006,719</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$244,067)</u>	<u>\$130,785</u>	<u>(\$78,567)</u>	<u>(\$537,326)</u>	<u>\$978,985</u>	<u>\$249,810</u>

NOTE 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.