

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



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 7, 2018

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

January 11, 2018

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, 2017. University management is responsible for the accuracy of the Statement (unaudited) and the related note (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 and 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 organizational 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, 2017.

We found no exceptions as a result of these procedures.

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.

We found no exceptions as a result of these procedures.

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, 2017, to June 30, 2016, amounts and budget estimates, to identify variances greater than 10% from June 30, 2016.

We reported the analysis in Appendix A to this report.

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. If the athletic department is reporting that an allocation of student fees should be countable as generated revenues, we were to recalculate the totals of its methodology for supporting that the athletic department is able to count each sport, and tie the calculation to supporting documents. The University does not allocate the student fees to each sport.

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.

We found no exceptions as a result of these procedures.

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 found no exceptions as a result of these procedures.

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 exception 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 selected a sample of one transaction and validated the existence of the transaction and the accuracy of its recording. We also recalculated the totals.

We found no exceptions as a result of these procedures.

**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 also obtained written representations from management that the Demons Unlimited Foundation (DUF) was 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 confirmed revenues and expenses directly with a responsible official of the organization.

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						
Contributions	\$100,352	\$104,149	\$22,497	\$340,611	\$553,048	\$1,120,657
In-kind	15,496	23,666		10,833	13,934	63,929
NCAA distributions					123,032	123,032
Program, novelty, parking, and concession sales	2,132	601	228	17,053	349	20,363
Royalties, licensing, advertisements, and sponsorships	2,200	4,850	4,850		815,510	827,410
Sport camp revenues		64,707		10,760		75,467
Athletic restricted endowment and investment income					197,502	197,502
Other operating revenue					1,176	1,176
Total revenues	<u>120,180</u>	<u>197,973</u>	<u>27,575</u>	<u>379,257</u>	<u>1,704,551</u>	<u>2,429,536</u>
Expenses						
Athletic student aid	111,586	27,982	25,009	200,297		364,874
Guarantees				17,250		17,250
Coaching salaries, benefits, and bonuses paid by the University and related entities	44,301	47,073	88,606	120,065		300,045
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					32,597	32,597
Recruiting	45,558	20,616	6,858	49,088	6,704	128,824
Team travel	6,042	2,486	669	65,377		74,574
Sports equipment, uniform, and supplies	45,347	6,103	4,612	150,970	56,503	263,535
Game expenses	9,705	588	588	12,366		23,247
Fundraising, marketing, and promotion	100,039	34,859	21,310	68,743	203,400	428,351
Sport camp expenses		50,662	20	3,051		53,733
Direct overhead and administrative expenses	3,743	1,786	1,084	11,707	51,015	69,335
Medical expenses and insurance	11,177	16,170	113	841	110,048	138,349
Memberships and dues	850			1,355	1,900	4,105
Student-athlete meals	7,052	2,772	852	12,343	3,520	26,539
Other operating expenses	17,794	15,726	7,545	18,146	141,223	200,434
Total expenses	<u>403,194</u>	<u>226,823</u>	<u>157,266</u>	<u>731,599</u>	<u>606,910</u>	<u>2,125,792</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$283,014)</u>	<u>(\$28,850)</u>	<u>(\$129,691)</u>	<u>(\$352,342)</u>	<u>\$1,097,641</u>	<u>\$303,744</u>

We obtained written representations from management as to the fair presentation of the summary schedule. We compared the summary schedule provided by the outside organization to ensure data is included in the University's Statement.

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 and the Northwestern State University Foundation's statements were audited by the same independent certified public accounting firm for the year ended June 30, 2017. The audit reports are dated August 30, 2017, and October 4, 2017, respectively, and included no significant deficiencies on the outside organizations' internal controls.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. We obtained the squad lists of the University and compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution. 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 period 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 is counted towards meeting the minimum contest requirement. We ensured that the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no discrepancies 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 no discrepancies as a result of these procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion 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, 2017. 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 the president. 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, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BH:EFS:aa

NWSU NCAA 2017

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, 2017**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$224,186	\$28,191	\$25,788	\$32,027		\$310,192
Student fees	666,191	177,858	143,731	976,858	\$38,230	2,002,868
Direct institutional support	1,385,364	499,104	529,025	1,956,145	924,567	5,294,205
Indirect institutional support	94,737	3,886	3,602	59,471	701,128	862,824
Guarantees	400,000	442,670	80,000	53,000		975,670
Contributions	100,352	104,149	22,497	340,611	553,048	1,120,657
In-kind	15,496	23,666		10,833	13,934	63,929
NCAA distributions					1,441,008	1,441,008
Program, novelty, parking, and concession sales	16,642	601	228	17,053	349	34,873
Royalties, licensing, advertisements, and sponsorships	2,200	4,850	4,850		1,164,157	1,176,057
Sports camp revenues		64,707	10,188	22,235		97,130
Athletics restricted endowment and investment income					197,502	197,502
Other operating revenue	1,500	2,323		9,050	17,362	30,235
Total operating revenues	<u>2,906,668</u>	<u>1,352,005</u>	<u>819,909</u>	<u>3,477,283</u>	<u>5,051,285</u>	<u>13,607,150</u>
EXPENSES						
Operating expenses:						
Athletic student aid	1,734,004	357,371	335,018	2,333,743	61,427	4,821,563
Guarantees	70,000	16,240	13,000	23,750		122,990
Coaching salaries, benefits, and bonuses paid by the University and related entities	675,948	355,166	330,381	867,499		2,228,994
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					1,253,094	1,253,094
Recruiting	73,979	52,769	25,035	59,928	7,659	219,370
Team travel	142,166	176,008	74,784	528,507		921,465
Sports equipment, uniforms, and supplies	161,979	28,724	33,175	205,770	57,453	487,101
Game expenses	65,505	37,965	36,165	64,770	31,082	235,487
Fundraising, marketing, and promotion	100,039	34,859	21,310	68,743	247,646	472,597
Sports camp expenses		50,662	2,892	3,058		56,612
Direct overhead and administrative expenses	14,743	3,053	1,084	11,707	271,933	302,520
Indirect institutional support	94,737	3,886	3,602	59,471	701,128	862,824
Medical expenses and insurance	11,289	16,219	197	1,002	129,693	158,400
Memberships and dues	12,850	1,030	533	1,850	34,891	51,154
Student-athlete meals (non-travel)	14,525	7,349	3,824	16,644	3,520	45,862
Other operating expenses	37,601	29,125	23,591	23,232	203,238	316,787
Total operating expenses	<u>3,209,365</u>	<u>1,170,426</u>	<u>904,591</u>	<u>4,269,674</u>	<u>3,002,764</u>	<u>12,556,820</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$302,697)</u>	<u>\$181,579</u>	<u>(\$84,682)</u>	<u>(\$792,391)</u>	<u>\$2,048,521</u>	<u>\$1,050,330</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. The University has no debt associated with its Athletic Department's capital assets.

MAJOR REVENUE AND EXPENSE ANALYSIS

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

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

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2017**

Accounts Exceeding 10% Threshold and Variance Greater Than 10%	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
NCAA distributions	\$1,441,008	\$940,913	\$500,095	53%	1
Operating Expenses per Statement A					
Athletics student aid	\$4,821,563	\$4,275,602	\$545,961	13%	2

NOTES:

- ¹ The increase in revenue for NCAA distributions from fiscal year (FY) 2016 to FY 2017 was due to a one-time distribution of \$558,054 received for the direct benefit of the student athlete and their academic success, life skills, career success, health and safety, and student-athlete focused diversity and inclusion initiatives. This one-time distribution was given to all Division I members that were active as of the 2015-16 academic year based on the university's equivalency for grants-in-aid determined for the 2013-14 academic year.
- ² The increase in expense for athletic student aid from FY 2016 to FY 2017 was due to increases in tuition and fees, and room and board rates that resulted in an overall increase in scholarships for the academic year, approximately \$354,000 for Fall 2016 and Spring 2017, and \$32,000 for summer school. Also, book scholarships paid by DUF increased by almost \$100,000; and there were 15 additional student athlete out-of-state fee waivers for approximately \$80,000.

Budget	2017 Actual	2017 Budget	Variance	Percent Variance	
Operating Revenues per Statement A					
NCAA Distributions	\$1,317,976	\$759,922	\$558,054	73%	1

NOTE:

- ¹ The variance between NCAA distributions actual revenues and the budget was due to a \$558,054 one time revenue distribution received from NCAA during FY 2017, as previously mentioned above. The one time distribution was not included in the FY 2017 budget amount.

The budget analysis is presented based on University data only.