

ATHLETIC DEPARTMENT
SOUTHERN UNIVERSITY
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 7, 2018

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 12, 2018

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

**DR. RAY BELTON, PRESIDENT-CHANCELLOR
SOUTHERN UNIVERSITY AND A&M COLLEGE
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president and chancellor of the Southern University and A&M College (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 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.

The University set materiality at \$5,000, and the agreed-upon procedures described below were not applied to any transactions that fell under this amount. In addition, 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 revenue receipt transaction from the ticket sales category and followed it through the University's control system to determine adherence to established policies and procedures.
 - (b) We selected the largest athletic department expense transaction and followed it 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.
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 one operating revenue receipt and a sample of one expense disbursement 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, 2017.

We reported the analysis in Appendix A to this report.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the University, we compared the value of the tickets sold, complimentary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported by the University in the general ledger and Statement and to related attendance figures. We agreed the information on the schedule to the supporting game reconciliations for a random sample of one football and one men's basketball game. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures. We were unable to perform comparison procedures to attendance figures because attendance is based on ticket sales and not an actual count of game day attendees.

2. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs. We compared and agreed the student fees reported in the Statement to student enrollment. We obtained explanations from the University for any variances exceeding 5%. We recalculated the totals.

We found no exceptions as a result of these procedures.

3. 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.

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

We found no exceptions as a result of these procedures.

5. We were to select a sample of one settlement report for an away game during the reporting period and agree to the University's general ledger and/or the Statement and recalculate the totals.

There were no settlement reports during the reporting period; therefore, this procedure was not performed.

6. We selected a sample of one contractual agreement pertaining to revenues derived from guarantee contests during the reporting period and compared and agreed to the University's general ledger and/or the Statement. We recalculated the totals.

We noted \$10,000 of other operating revenue was misclassified as game guarantee revenues. Statement A was corrected.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 20% of student athletes, with a maximum sample size of 60, from the listing of student aid recipients during the reporting period. Data was captured by the University through the creation of a squad list for each sponsored sport. We obtained individual student account detail for each selection, and compared total aid in the University's student system to the student's detail in the University report that ties directly to the NCAA Membership Financial Reporting System. We performed a check of each student selected to ensure his/her information was reported accurately into the NCAA Membership Financial Reporting System using the criteria found in 2017 NCAA Agreed-Upon Procedures. We recalculated the totals for each sport and overall for all sports.

We noted \$22,220 of non-program specific student aid expenses related to graduate assistants was misclassified to various team expense categories. Statement A was corrected.

We noted that athletic award information for two of 45 students sampled was inaccurately reported in the NCAA's Membership Financial Reporting System. The University stated the correction was made in the system. No adjustment was made to the Statement.

2. We obtained and inspected a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period. We selected all head coaches' contracts for football and men's and women's basketball from the listing and a sample of two support 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 any employment contracts executed for the sample selected.
- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

- 3. We obtained and documented an understanding of the University's team travel policies and compared and agreed the University's team travel policies to existing University and NCAA-related policies. In addition, we obtained the general ledger detail and compared the detail to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

- 4. We obtained the general ledger detail for game expenses and compared the detail to the total expenses reported. We selected a sample of one transaction to validate the existence of the transaction and the accuracy of its recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

- 5. We obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities and were to compare a sample of the two largest facility payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements). We compared amounts recorded to the general ledger detail and recalculated totals.

There was one athletic facility payment. We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

- 1. We obtained the repayment schedule and general ledger detail for all outstanding intercollegiate athletics debt during the reporting period. We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We agreed the total annual maturities and total outstanding athletic debt to supporting documentation and the University's general ledger, as applicable.

We found no exceptions as a result of these procedures.

2. We agreed the total outstanding University debt to supporting documentation and the University's audited financial statements, if available, or the University's general ledger.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We were to disclose if there were any contributions of money, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency or group of individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensure the source(s) of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

Per University management, no contributions were received by the University for intercollegiate athletics during the reporting period.

2. 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.

3. We determined that intercollegiate athletics debts exists and we ensured that the repayment schedule is properly disclosed within the notes to the statement.

We found no exceptions as a result of these procedures. See note 2 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 the Southern University System Foundation (Foundation) is the only outside organization created for or on behalf of the athletic department.
2. We obtained from management, statements for all affiliated and outside organizations and were to agree the amounts reported in the statements to the University's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization.

Management informed us that the University did not receive any direct payments from an outside organization, including the Foundation. Foundation amounts listed below in procedure #3 (p.8) are "on behalf" and were added to general ledger amounts to get Statement totals. We recalculated amounts from the general ledger and Foundation amounts to agree to Statement totals.

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:

	Southern University System Foundation
Revenues	
Royalties, licensing, advertising, and sponsorships	<u>\$350,861</u>
Expenses	
Sports equipment, uniforms, and supplies	63,640
Game expenses	7,540
Direct overhead and administrative expenses	95,850
Other operating expenses	<u>172,706</u>
Total operating expenses	<u><u>339,736</u></u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$11,125</u></u>

Management provided a revised schedule of revenues and expenses for intercollegiate athletics programs by the Southern University System Foundation. Expenses totaling \$243,886 were excluded from the original schedule of revenues and expenses. Statement A was corrected.

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

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 and document any corrective action taken in response to the significant deficiencies.

The Foundation's statements were audited by an independent certified public accountant for the year ended December 31, 2016. The audit report dated August 21, 2017, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists. We were to inquire about any discrepancies and report the justification.

We found no exceptions as a result of these procedures.

2. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting period. We validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that are counted toward 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 exceptions as a result of these procedures.

3. For Pell grants, we agreed the total number of Division 1 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 out of the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions 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 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, 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 and chancellor 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2017**

	FOOTBALL	BAYOU CLASSIC	FOOTBALL SUB-TOTAL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES								
Operating revenues:								
Ticket sales	\$968,230	\$580,670	\$1,548,900	\$35,774	\$2,180	\$20,093		\$1,606,947
Student fees							\$2,503,659	2,503,659
Direct institutional support							2,533,186	2,533,186
Indirect institutional support							3,342,043	3,342,043
Indirect institutional support - athletic facilities debt service, lease, and rental fees	1,409,237		1,409,237					1,409,237
Guarantees	484,970		484,970	253,000	57,500			795,470
NCAA distributions							337,029	337,029
Conference distributions							16,000	16,000
Program, novelty, parking, and concession sales	325,005		325,005					325,005
Royalties, licensing, advertisements, and sponsorships	181,600		181,600	43,600	43,599	82,062	65,684	416,545
Other operating revenue				10,000			65,328	75,328
Total operating revenues	<u>3,369,042</u>	<u>580,670</u>	<u>3,949,712</u>	<u>342,374</u>	<u>103,279</u>	<u>102,155</u>	<u>8,862,929</u>	<u>13,360,449</u>
EXPENSES								
Operating expenses:								
Athletic student aid	887,140		887,140	206,062	219,674	1,085,906	22,220	2,421,002
Guarantees				18,500	5,000			23,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	880,281		880,281	469,618	311,224	706,385		2,367,508
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities							808,820	808,820
Severance payments	7,140		7,140		5,301	7,659	29,945	50,045
Recruiting	29,900		29,900	7,597	11,898	7,577	238	57,210
Team travel	231,455		231,455	213,554	99,951	339,358	(846)	883,472
Sports equipment, uniforms, and supplies	59,424		59,424	3,540	10,298	104,973	253,681	431,916
Game expenses	88,882		88,882	37,750	31,250	33,640	374,930	566,452
Spirit groups							19,331	19,331
Athletic facilities debt service, leases, and rental fees	1,670,406		1,670,406					1,670,406
Direct overhead and administrative expenses	37,778	51,258	89,036	7,268	7,052	26,921	145,066	275,343
Indirect institutional support							3,342,043	3,342,043
Medical expenses and insurance							264,045	264,045
Memberships and dues							39,045	39,045
Other operating expenses	89,382		89,382	33,495	68,530	36,999	76,135	304,541
Total operating expenses	<u>3,981,788</u>	<u>51,258</u>	<u>4,033,046</u>	<u>997,384</u>	<u>770,178</u>	<u>2,349,418</u>	<u>5,374,653</u>	<u>13,524,679</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>(\$612,746)</u>	<u>\$529,412</u>	<u>(\$83,334)</u>	<u>(\$655,010)</u>	<u>(\$666,899)</u>	<u>(\$2,247,263)</u>	<u>\$3,488,276</u>	<u>(\$164,230)</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. The University's capitalization policy provides that movable property items with a unit cost of \$5,000 or more and an estimated useful life greater than one year and buildings and improvements with a cost of \$100,000 or more are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Any infrastructure exceeding \$3 million is also capitalized. Computer software purchased for internal use with depreciable costs of \$1 million or more is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is 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 three to 10 years for most movable property. Library collections regardless of age, with a total acquisition value of \$5,000,000 or more are capitalized and depreciated.

2. LONG-TERM LIABILITIES

Capital Leases

The Southern University System (System) records items under capital leases as an asset and an obligation in its financial statements. Assets under capital lease are included as capital assets in the notes to the System's financial statements. The capital lease obligation is associated with the cooperative endeavor and capital lease agreement between the System and the Southern University System Foundation. The capital lease obligation reported by the System does not equal the capital lease receivable reported by the Foundation due to its fiscal year ending on December 31. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments, at June 30, 2017, for the Southern University and A&M College campus within the System (Note: The University Athletic Department is responsible for an annual allocated percentage of these future minimum lease payments.):

Fiscal Year Ended June 30.

2018	\$3,613,767
2019	3,613,429
2020	3,611,248
2021	3,612,212
2022	3,614,381
2023-2027	18,062,266
2028-2032	18,068,290
2033-2037	18,071,507
2038-2039	7,227,111
Total minimum payments	79,494,211
Less - amount representing interest	(34,755,885)
	<u>\$44,738,326</u>

The gross amount, including capitalized interest, of assets held under capital leases as of June 30, 2017, for the Southern University and A&M College campus, totals \$56,539,159 and includes buildings, land and land improvements, and equipment of \$53,337,096; \$2,218,112; and \$983,951, respectively.

The annual allocated percentage of the capital lease payment that the University's Athletic Department owed for the fiscal year 2017 is \$1,670,407, which represents 44.57% of the total due by the System to the Foundation.

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
SOUTHERN UNIVERSITY
SOUTHERN UNIVERSITY 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					
Ticket sales	\$1,606,947	\$1,872,787	(\$265,840)	(14%)	1
Direct institutional support	\$2,533,186	\$2,894,841	(\$361,655)	(12%)	2
Operating Expenses per Statement A					
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$2,367,508	\$2,679,727	(\$312,219)	(12%)	3

NOTES:

- ¹ Ticket sales decreased due to a decline in game day ticket purchases.
² Direct institutional decreased because the funds of \$320,000 were budgeted in fiscal year 2016 for athletics but not in fiscal year 2017.
³ Coaching salaries, benefits, and bonuses decreased due to several personnel leaving the University and due to bonuses not paid in fiscal year 2017 as a result of unaccomplished contract provisions.

Fiscal Year 2017 - Budget Variances	Actual	Budget	Positive/ (Negative)	Percent Variance	
Revenue Account Balances Exceeding 10% Threshold and Variance Greater Than 10%					
Ticket sales	\$1,606,947	\$1,842,000	(\$235,053)	(13%)	1

NOTES:

- ¹ The budget variance for ticket sales is due to the decline in game day ticket purchases.

The budget analysis is presented based on University data only.