

ATHLETIC DEPARTMENT
NICHOLLS 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 12, 2018

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

**DR. JAY CLUNE, PRESIDENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Thibodaux, Louisiana

We have performed the procedures enumerated below, which were agreed to by you as president of Nicholls 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 related notes (unaudited) and 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 \$250 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 discussions 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 the 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 determined 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 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 five operating revenue receipts and a sample of five expense disbursements obtained from 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 revenue or expense 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. We obtained and documented an understanding of 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 and obtained explanations from the University regarding any variances in excess of 5%. We recalculated the totals. In addition, since the athletic department reported that an allocation of student fees should be countable as generated revenue, we recalculated the totals of its methodology and ensured that the athletic department is able to count each sport. We tied the calculation to supporting documents.

We found no exceptions as a result of these procedures.

2. We compared direct institutional support recorded by the University during the reporting period with 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 selected one settlement report for an away game during the reporting period and agreed the amount to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We selected one contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed the selection to the University's general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and reviewed supporting documentation evidencing each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10% or more in the aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

No outside organization, other than the Nicholls State University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceed 10% of total contributions.

6. We obtained the summary of revenues from affiliated and outside organizations as of the end of the reporting period from the University and selected a sample of five funds from the summary and compared and agreed each selection to supporting documentation, the University's general ledger, and the summary. We recalculated the totals. We also obtained the independent auditors' report for the University's only affiliated organization.

We found no exceptions as a result of these procedures.

7. We compared all NCAA distribution amounts recorded in the revenue and expense reporting during the reporting period to the general ledger for NCAA distributions and other corroborative supporting documentation. 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 a listing of University student aid recipients. The following procedures were performed:
 - (a) 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.
 - (b) We performed a check of each student selected to ensure his/her information was reported accurately in the NCAA Membership Financial Reporting System using the criteria found in the 2017 NCAA Agreed-Upon Procedures.
 - (c) We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

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 the head coaches' contracts for football and men's and women's basketball and a sample of three staff/administrative personnel from the listing. 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 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 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. We obtained the general ledger detail and compared to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

- 4. We obtained general ledger detail for direct overhead and administrative expenses and compared the detail to the total expenses reported. We selected two transactions and obtained supporting documentation to validate the existence of the transactions and the accuracy of their recording. We 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 audited financial statements.

We noted that the total debt outstanding for the University as of June 30, 2017, per the audited financial statement was \$55,990,422, which did not agree to the \$57,955,000 reported as total debt outstanding on athletic and University facilities under Other Reporting Items. The University adjusted its total debt outstanding on athletic and University facilities to \$55,990,422.

- 2. We inquired about athletics dedicated endowments maintained by athletics, the University, and affiliated organizations and were informed by management that

the University had no athletics dedicated endowments as defined by NCAA guidelines.

3. We agreed the total fair market value of University endowments to supporting documentation and the University's audited financial statements.

We found no exceptions as a result of these procedures.

4. 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 general ledger support to the total expenses reported. We selected one transaction and obtained supporting documentation to validate its existence and the accuracy of its recording. We 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 listing of any contributions of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) that constituted 10% or more of all contributions received for intercollegiate athletics during the reporting period and ensured the source(s) of funds, goods, and services, as well as the value associated with these items were properly disclosed within the notes to the Statement.

No outside organization, other than the Nicholls State University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceed 10% of total contributions (see note 1 to the Statement).

2. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets and ensured that the University's policies and procedures were 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 known affiliated and outside organizations for the reporting period. We obtained written representations from management that the Nicholls State University Foundation, Inc., is the only outside organization created for or on behalf of the athletic department.

2. We obtained from management of the University statements for all affiliated and outside organizations and agreed the amounts reported in the statements to the University's general ledger or, alternatively, 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:

	Nicholls State University Foundation, Inc.
REVENUES	
Contributions	\$336,177
Program, novelty, parking, and concession sales	673
Royalties, licensing, advertisements, and sponsorships	48,552
Sports camp revenue	10,060
Other operating revenue	13,100
Total revenues	<u>408,562</u>
EXPENSES	
Athletic student aid	299
Guarantees	1,000
Coaching salaries, benefits, and bonuses paid by the University and related entities	14,400
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	3,625
Recruiting	12,654
Team travel	4,119
Sports equipment, uniforms, and supplies	55,041
Game expenses	19,701
Fundraising, marketing, and promotion	99,601
Sports camp expenses	1,856
Spirit groups	574
Athletic facilities debt service, leases, and rental fee	4,014
Direct overhead and administrative expenses	30,681
Medical expenses and medical insurance	3,218
Memberships and dues	1,498
Student athlete meals (non-travel)	18,078
Other expenses	48,833
Total expenses	<u>319,192</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$89,370</u></u>

We obtained written representations as to the fair presentation of the summary schedule and agreed the amounts reported to the University's general ledger.

We found no exceptions as a result of these procedures.

4. For all outside organizations that had an independent audit, we obtained and reviewed the independent auditor's report, identified any significant deficiencies relating to the outside organization's internal controls, made inquiries of management, and documented any corrective action taken in response to the significant deficiencies.

The Nicholls State University Foundation, Inc. statements for the year ended June 30, 2016, were audited by an independent certified public accountant. The audit report dated October 13, 2017, includes a material weakness in the foundation's internal control related to material misstatements of revenues and expenses, and misclassifications of net assets. The foundation has engaged the services of an external accounting firm to assist with recording transactions and maintaining the general ledger for future periods.

The financial statements of the Nicholls State University Foundation, Inc., for the year ended June 30, 2017, are being audited by an independent certified public accounting firm. The audit report has not been issued as of January 12, 2018.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division I financial reporting for NCAA distribution purposes, the following procedures were performed:
 - (a) We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists.
 - (b) We obtained the University's Sports Sponsorship and Demographics Form Report for the reporting year. 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 also ensured that the University properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
 - (c) We agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on Full Grant-in-Aid, Pell Grant recipients on Partial Grants-in-Aid and Pell Grant recipients with no Grants-in-Aid) 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 of the University and is not intended to be, and should not be, used by anyone other than the 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, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MET:NM:WDG:EFS:aa

NICHOLLS NCAA 2017

UNAUDITED

Statement A

**ATHLETIC DEPARTMENT
NICHOLLS 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	\$165,451	\$9,948	\$8,293	\$33,441		\$217,133
Student fees	650,763	158,572	367,508	1,393,535		2,570,378
Direct institutional support	631,149	153,793	356,432	1,351,534	\$17,134	2,510,042
Indirect institutional support					163,378	163,378
Guarantees	775,000	479,000	33,000	9,000		1,296,000
Contributions	169,907	38,600	11,282	174,130	419,527	813,446
In-kind	11,508	3,282	4,869	45,113	178,831	243,603
NCAA distributions	5,000			3,000	514,010	522,010
Program, novelty, parking, and concessions sales	15,564	780	574	5,631	673	23,222
Royalties, licensing, advertisements, and sponsorships	500				67,039	67,539
Sports camp revenues			5,908	1,705	2,447	10,060
Other operating revenue					26,830	26,830
Total operating revenues	<u>2,424,842</u>	<u>843,975</u>	<u>787,866</u>	<u>3,017,089</u>	<u>1,389,869</u>	<u>8,463,641</u>
EXPENSES						
Operating expenses:						
Athletics student aid	1,122,394	241,431	251,153	1,220,350	103,128	2,938,456
Guarantees		15,390		68,995		84,385
Coaching salaries, benefits, and bonuses paid by the University and related entities	717,201	306,575	258,435	687,888		1,970,099
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					855,089	855,089
Severance payments		1,203		15,416	28,621	45,240
Recruiting	26,756	29,510	13,177	26,869		96,312
Team travel	157,315	136,485	103,001	309,374		706,175
Sports equipment, uniforms, and supplies	112,679	19,427	18,690	159,189		309,985
Game expenses	48,550	36,954	25,200	73,535	24,672	208,911
Fundraising, marketing, and promotion	32,050	146		5,174	68,046	105,416
Sports camp expenses		591	1,265			1,856
Spirit groups					574	574
Athletic facilities debt service leases and rental fee					4,014	4,014
Direct overhead and administrative expenses	11,320	7,985	6,353	12,645	471,308	509,611
Indirect institutional support					163,378	163,378
Medical expenses and insurance					182,621	182,621
Memberships and dues				4,209	44,699	48,908
Student-athlete meals (non-travel)	1,981	1,457	2,936	7,709	12,525	26,608
Other operating expenses	4,525	506	316	18,721	44,922	68,990
Total operating expenses	<u>2,234,771</u>	<u>797,660</u>	<u>680,526</u>	<u>2,610,074</u>	<u>2,003,597</u>	<u>8,326,628</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$190,071</u>	<u>\$46,315</u>	<u>\$107,340</u>	<u>\$407,015</u>	<u>(\$613,728)</u>	<u>\$137,013</u>

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

No individuals or outside organizations, other than the Nicholls State University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10% of the total contributions included in Statement A.

2. 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. 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, three to 10 years for most movable property, three years for software with an acquisition cost of \$1,000,000 or more, and three to 10 years for internally-generated software with development costs of \$1,000,000 or more.

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
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

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

<u>Accounts Exceeding 10% Threshold and Variance Greater Than 10%</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Increase/ (Decrease)</u>	<u>Percent Variance</u>	
Operating Revenues per Statement A					
Direct institutional support	\$2,510,042	\$2,244,982	\$265,060	12%	1
Operating Expenses per Statement A					
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$1,970,099	\$1,769,830	\$200,269	11%	2

Budget

No variances met the 10% variance threshold in the NCAA guidelines, and no explanations are required.

NOTES:

- ¹ Direct institutional support increased primarily due to \$114,362 of salaries that were previously charged to other funds being charged to athletics in the current year, \$25,646 of one-time rewards and recognitions, and an additional \$100,000 transfer to assist the Athletic Department.
- ² Coaching salaries, benefits, and bonuses paid by the University and related entities increased primarily due to a \$32,000 increase in salary supplements, \$61,750 in coaching salaries previously charged to other funds being included in Athletics this year, \$27,000 of graduate assistant positions charged to intern positions in FY17, and \$53,250 of increased salaries associated with hiring new coaches.