

ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 24, 2010

**LEGISLATIVE AUDITOR
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	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures	3
Statement	
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A.....	11
Notes to the Financial Statement (Unaudited).....	13



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

January 12, 2010

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

**DR. ROBERT D. HEBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of McNeese State University, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the McNeese State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2009, and to assist you in your evaluation of the effectiveness of the McNeese State University Athletic Department's internal control over financial reporting as of June 30, 2009. University management is responsible for 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 McNeese State 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 procedures that we performed and our findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement of the intercollegiate athletics program, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, and other information we considered necessary for the year ended June 30, 2009.

We found no exceptions as a result of these procedures.

2. We verified the mathematical accuracy of the amounts on the Statement 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 inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and reviewed all athletics-related internal audit reports.

An internal audit report dated December 12, 2008, on the follow-up to NCAA Public Infractions dated February 8, 2007, found no exceptions and NCAA imposed penalties were appropriately addressed. Also, an internal audit report dated July 1, 2009, on the follow-up to the Travel Expense Audit dated July 9, 2007, reviewed the new university policy on travel advances and found no exceptions.

We found no exceptions as a result of these procedures.

4. We compared each operating revenue and expense category for June 30, 2008, and June 30, 2009, to identify variances of 20 percent or greater between individual revenue and expense categories (line items) that are 5 percent or more of the total.

As a result of our procedures, we identified variances of 20 percent or greater in the following revenue and expense accounts that are 5 percent or more of the total:

Revenues

Guarantees
Contributions

Expenses

Athletic student aid
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities
Direct facilities, maintenance, and rental

5. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year ended June 30, 2009, to identify any variances of 20 percent or greater in individual revenue and expense categories (line items) that are 5 percent or more of the total.

As a result of our procedure, we identified variances of 20 percent or greater between budget and actual amounts in the following individual line items that are 5 percent or more of the total:

Revenues

Other operating revenues

Expenses

Other operating expenses

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. We selected the basketball and football games with the largest ticket sales and recalculated the reconciliations for the two games selected. We agreed the largest daily sales to the general ledger and the Statement.

We found no exceptions as a result of this procedure.

2. We reviewed the university's methodology for allocating student fees to the intercollegiate athletics program, 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 percent.

As a result of our procedure, we identified a variance in excess of 5 percent for the fall 2008 semester and obtained explanations from university management.

3. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the contractual agreement. We recalculated the totals.

We found no exceptions as a result of this procedure.

4. We compared direct institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of this procedure.

5. We compared indirect institutional support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of this procedure.

6. We compared and agreed the NCAA/Conference distributions revenue to the general ledger and/or the Statement and recalculated the totals. We selected one operating revenue receipt from the NCAA/Conference distributions category and agreed it to supporting documentation.

We found no exceptions as a result of this procedure.

7. We inquired about agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period and the university had none.
8. We obtained and inspected the agreement related to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period. We compared and agreed the related revenues to the general ledger and/or the Statement and recalculated the totals.

We noted that \$3,000 in sponsorships was incorrectly recorded as revenue for fiscal year 2009. That amount was a receivable for fiscal year 2008 revenue. Also, \$18,960 of sponsorships revenues was incorrectly recorded. There was a misunderstanding between accounting and the athletics department and revenue and receivables were set up for amounts that were not going to be collected by McNeese.

9. We inquired about sports-camp contracts between the university and person(s) conducting the camps or clinics and the university had none nor did it have any revenue from sports-camps during the reporting period.
10. We selected one operating revenue receipt from each category not previously mentioned and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of four students from the listing of university student aid recipients and obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We recalculated the totals.

We found no exceptions as a result of these procedures.

2. We reviewed the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period. We used the game settlement report and agreed related expenses to the university's general ledger and the Statement and recalculated totals.

We found no exceptions as a result of these procedures.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university. We examined the contracts for the head coaches from football, men's and women's basketball, and two support staff/administrative personnel. The following procedures were performed:

- (a) We compared and agreed the financial terms and conditions of each head coach selected to the related coaching salaries, benefits, and bonuses recorded by the university and related entities in the Statement.
- (b) We obtained and inspected W-2s and 1099s for each selection.
- (c) We compared and agreed related W-2s and 1099s 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.

We found no exceptions as a result of these procedures.

- 4. Using a list prepared by the university, we selected the athletic employee with the highest severance payment and agreed the severance pay to the related termination letter or employment contract and recalculated the totals.

We found no exceptions as a result of this procedure.

- 5. We compared and agreed the university's recruiting expense policies to existing institutional and NCAA-related policies. We selected two recruiting expenses and agreed to supporting documentation.

We found no exceptions as a result of this procedure.

- 6. We compared and agreed the university's team travel policies to existing institutional and NCAA-related policies. We selected two travel expenses and agreed to supporting documentation. We inquired about post-season travel and selected one expense and agreed it to supporting documentation.

We found no exceptions as a result of these procedures.

- 7. We inquired about travel expenses incurred by spirit groups and the university had none.
- 8. We selected four operating expenses from the direct facilities, maintenance, and rental category and agreed to supporting documentation.

We found no exceptions as a result of this procedure.

- 9. We summed the indirect facilities and institutional support totals reported by the university in the Statement and determined it was presented in accordance with the university's methodology for allocating indirect facilities support.

We found no exceptions as a result of this procedure.

10. We compared and agreed indirect facilities and administrative support reported by the university in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the university in the Statement and recalculated the totals.

We found no exceptions as a result of this procedure.

11. We inquired about sports-camp expenses paid by the athletic department including non-athletic personnel salaries and benefits from hosting sports-camps and the university had none.
12. We selected one operating expense from each category not previously mentioned and agreed to adequate supporting documentation.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constitute more than 10 percent of the total contributions. We obtained and reviewed supporting documentation for each such contribution and ensured the source of funds and goods and services, as well as the value associated with these items, was disclosed.

The McNeese State University Foundation, Inc., an outside organization, contributed monies, goods, and services for or on behalf of the athletic department that exceeded 10 percent of the total contributions.

2. We obtained and reviewed a schedule of changes in intercollegiate athletics capitalized assets of facilities along with 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 and schedule of changes are properly disclosed within the notes to the Statement.
3. We agreed the capital asset schedule to the university's general ledger and affiliated and outside organizations' financial statements. We selected capitalized additions greater than 10 percent of total capital additions and agreed the additions to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We obtained the repayment schedules for all outstanding intercollegiate athletics debt incurred by the university and reported in the notes. We recalculated annual

maturities (consisting of principal and interest) incurred by the university and agreed the total annual maturities to supporting documentation and the general ledger and affiliated and outside organizations’ financial statements. 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.

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

1. We obtained written representation from management of the university that the McNeese State University Foundation, Inc., and the Cowboy Club Gaming Account were the only outside organizations created for or on behalf of the athletic department.
2. We obtained from management a summary of revenues and expenses for or on behalf of intercollegiate athletics program affiliated and outside organizations to be included with the agreed-upon procedures report and written representations as to the fair presentation of the statements and agreed the amounts reported to the university’s general ledger.

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
Revenues:						
Contributions	\$88,978	\$22,544	\$16,470	\$266,954	\$148,592	\$543,538
Total revenues	<u>88,978</u>	<u>22,544</u>	<u>16,470</u>	<u>266,954</u>	<u>148,592</u>	<u>543,538</u>
Expenses:						
Athletic student aid					25,363	25,363
Coaching salaries, benefits, and bonuses paid by the university and related entities	70	50		185		305
Recruiting	9,177	823	2,435	3,647		16,082
Team travel	8,701	4,407	388	14,648	11,048	39,192
Equipment, uniforms, and supplies	20,412	8,185	234	87,138	27,360	143,329
Game expenses	1,225			5,760	328	7,313
Fund raising, marketing, and promotion	6,479	863	513	7,620	47,641	63,116
Direct facilities, maintenance, and rental	13,964	40		115,231	21,494	150,729
Memberships and dues	125		370	1,569	785	2,849
Other operating expense	28,825	8,176	12,530	31,156	14,573	95,260
Total expenses	<u>88,978</u>	<u>22,544</u>	<u>16,470</u>	<u>266,954</u>	<u>148,592</u>	<u>543,538</u>
EXCESS OF REVENUES OVER EXPENSES						
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

We noted that contributions and expenses made on behalf of McNeese from the McNeese Foundation were understated by \$1,443. Also, we noted that contributions and expenses made on behalf of McNeese from the Cowboy Club were understated by \$15,114.

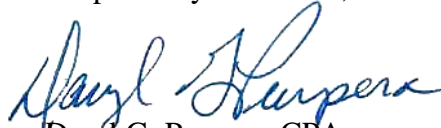
3. For all outside organizations that had an independent audit, we obtained the independent auditor’s report to identify any significant deficiencies relating to the outside organization’s internal controls, to make inquiries of management, and to document any corrective action taken in response to the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

The financial statements of the McNeese State University Foundation, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2009. The audit report is dated September 16, 2009, and includes no significant deficiencies on the outside organization's internal control. In addition, the financial statements of Cowboy Facilities, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2009. The audit report is dated August 27, 2009, and includes no significant deficiencies on the outside organization's internal control.

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 of Revenues and Expenses and related notes of McNeese State University's Athletic Department or on its compliance with NCAA Bylaw 6.2.3 or on the effectiveness of the McNeese State University Athletic Department's internal control over financial reporting for the year ended June 30, 2009. 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 McNeese State 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,



Daryl G. Purpera, CPA
Temporary Legislative Auditor

KDD:BH:EFS:PEP:sr

MSUNCAA09

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2009**

REVENUES	FOOTBALL	MEN'S		OTHER	NON-	TOTAL
		BASKETBALL	BASKETBALL		PROGRAM	
Operating Revenues:						
Ticket sales	\$910,468	\$46,351		\$49,190		\$1,006,009
Student fees					177,920	177,920
Guarantees	390,000	305,000	15,000	12,000		722,000
Contributions	318,497	36,072	44,151	332,898	180,602	912,220
Direct institutional support	341,216	247,226	461,978	2,051,759	584,201	3,686,380
Indirect institutional support					204,087	204,087
NCAA/Conference distributions including all tournament revenues			3,000		442,505	445,505
Program sales, concessions, novelty sales, and parking	18,325	593		2,466	107,570	128,954
Royalties, licensing, advertisements, and sponsorships	449,600	450		34,500	3,628	488,178
Endowment and investment income	131				9	140
Other	304			29,915	73,094	103,313
Total operating revenues	2,428,541	635,692	524,129	2,512,728	1,773,616	7,874,706
EXPENSES						
Operating Expenses:						
Athletics student aid	671,654	162,403	132,229	835,695	89,163	1,891,144
Guarantees	130,180	16,500	3,673	30,203		180,556
Coaching salaries, benefits, and bonuses paid by the university and related entities	521,549	188,291	169,021	612,412		1,491,273
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	46,510	24,459	10,026	83,907	681,025	845,927
Severance payments	5,352	1,450	1,042		3,346	11,190
Recruiting	64,622	17,816	28,745	51,625		162,808
Team travel	319,401	89,065	91,809	360,155	12,639	873,069
Equipment, uniforms, and supplies	81,382	18,086	20,492	171,120	32,469	323,549
Game expenses	57,096	37,758	34,800	54,351	3,753	187,758
Fund raising, marketing, and promotion	34,389	4,942	4,592	7,620	11,573	63,116
Direct facilities, maintenance, and rental	286,044	76,017		250,410	158,184	770,655
Indirect facilities and administrative support					204,087	204,087
Medical expenses and medical insurance				32	153,308	153,340
Membership and dues	8,713	2,244	1,385	4,343	30,720	47,405
Other operating expense	93,399	33,870	26,833	111,080	313,666	578,848
Total operating expenses	2,320,291	672,901	524,647	2,572,953	1,693,933	7,784,725
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	\$108,250	(\$37,209)	(\$518)	(\$60,225)	\$79,683	\$89,981

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1. CONTRIBUTIONS

No individuals or outside organizations, other than the McNeese State University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10 percent 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, 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.

Capital asset activity for the athletic department for the year ended June 30, 2009, is as follows:

	Balance June 30, 2008	Prior Period Adjustment	Balance June 30, 2008, As Adjusted	Additions	Transfers	Retirements	Balance June 30, 2009,
Capital assets not being depreciated - construction-in-progress	\$325,000	\$270,000	\$595,000	NONE	NONE	NONE	\$595,000
Other capital assets:							
Land improvements	\$3,377,229	(\$615,129)	\$2,762,100				\$2,762,100
Less - accumulated depreciation (restated)	(867,381)	(2,065)	(869,446)	(\$157,780)			(1,027,226)
Total land improvements	2,509,848	(617,194)	1,892,654	(157,780)	NONE	NONE	1,734,874
Buildings	11,982,255		11,982,255				11,982,255
Less - accumulated depreciation	(5,737,810)		(5,737,810)	(240,479)			(5,978,289)
Total buildings	6,244,445	NONE	6,244,445	(240,479)	NONE	NONE	6,003,966
Equipment	149,789		149,789	68,850			218,639
Less - accumulated depreciation	(63,476)		(63,476)	(23,479)			(86,955)
Total equipment	86,313	NONE	86,313	45,371	NONE	NONE	131,684
Total other capital assets	\$8,840,606	(\$617,194)	\$8,223,412	(\$352,888)	NONE	NONE	\$7,870,524
Capital Asset Summary:							
Capital assets not being depreciated	\$325,000	\$270,000	\$595,000				\$595,000
Other capital assets, at cost	15,509,273	(615,129)	14,894,144	\$68,850			14,962,994
Total cost of capital assets	15,834,273	(345,129)	15,489,144	68,850	NONE	NONE	15,557,994
Less - accumulated depreciation	(6,668,667)	(2,065)	(6,670,732)	(421,738)			(7,092,470)
Capital assets, net	\$9,165,606	(\$347,194)	\$8,818,412	(\$352,888)	NONE	NONE	\$8,465,524

3. BONDS PAYABLE

The university has the following debt associated with its athletic department's capital assets:

On February 1, 2004, Cowboy Facilities, Inc., entered into a loan agreement with Calcasieu Parish Trust Authority to obtain financing of the construction of public parking facilities at the Doland Athletic Complex. Financing of the project is through the issuance of \$820,000 University Revenue Bonds, Series 2004. The bonds have a yearly fixed rate of interest at 4.73 percent and are due in varying installments through 2014.

On April 1, 2005, Cowboy Facilities, Inc., entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of scoreboard improvements at various athletic locations on the campus of McNeese State University. Financing of the project is through issuance of \$1,900,000 McNeese State University - Cowboy Facilities, Inc., Scoreboard Project Taxable Revenue Bonds. The bonds have a yearly fixed rate of interest at 6.5 percent and are due in varying installments through 2015.

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2009:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2008</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2009</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2009</u>
Cowboy Facilities, Inc.: University Stadium Parking Revenue Bonds - Series 2004	February 1, 2004	\$820,000	\$530,000	(\$80,000)	\$450,000	2014	4.73%	\$65,274
University Scoreboard Project Bonds - Series 2005	April 1, 2005	1,900,000	1,450,000	(170,000)	1,280,000	2015	6.5%	306,475
Total		<u>\$2,720,000</u>	<u>\$1,980,000</u>	<u>(\$250,000)</u>	<u>\$1,730,000</u>			<u>\$371,749</u>

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2009:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$265,000	\$104,485	\$369,485
2011	280,000	88,765	368,765
2012	295,000	72,069	367,069
2013	315,000	54,487	369,487
2014-2015	575,000	51,943	626,943
Total	<u>\$1,730,000</u>	<u>\$371,749</u>	<u>\$2,101,749</u>