

**ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Lake Charles, Louisiana

Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 2003

April 28, 2004



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For the Year Ended June 30, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

April 28, 2004

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

Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 2003

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April 2, 2004

Independent Auditor's Report on
Applying Agreed-Upon Procedures

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

We have audited the basic financial statements of the University of Louisiana System, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. McNeese State University is a part of the University of Louisiana System. As requested by the university, we have also performed the procedures, as enumerated below, which were agreed to by management of the university. These procedures were applied to the accounting records and internal controls of the McNeese State University Athletic Department and to the related outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 2003, solely to assist the university in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the 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.

Our procedures and associated findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

1. We obtained written representation from management as to the fair presentation of the Statement of Revenues and Expenses of the Intercollegiate Athletics Program for the year ended June 30, 2003, as shown on Statement A. We also verified the mathematical accuracy of the amounts on the statement and agreed the amounts to the university's general ledger.

We found no exceptions as a result of these procedures.

LEGISLATIVE AUDITOR

DR. ROBERT D. HEBERT, PRESIDENT
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2. We compared the statements of revenues and expenses of the Intercollegiate Athletics Program for June 30, 2003, and June 30, 2002, to identify variances of 20% or greater between individual revenue and expense accounts (line items) that are 5% or more of the total.

As a result of our procedure, we identified variances of 20% or greater in individual line items that were 5% or more of the total in the following accounts, for which the university provided satisfactory responses:

<u>Revenues</u>	<u>Expenses</u>
Gate receipts	Travel
Guarantees	Operating services
In-kind contributions	Other charges
Conference revenue	Guarantees

3. We compared the budgeted revenues and expenses to actual revenues and expenses for the year ended June 30, 2003, to identify any variances of 20% or greater in individual revenue and expense accounts (line items) that are 5% or more of the total.

As a result of our procedure, we found no variances of 20% or greater in individual line items that are 5% or more of the total between budget and actual amounts.

4. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constituted more than 10% of the total contributions.

No individual contributions were received by the athletic department that exceeded 10% of the total contributions.

**INTERNAL CONTROL - POLICIES AND PROCEDURES
RELATING TO INTERCOLLEGIATE ATHLETICS -
AGREED-UPON PROCEDURES**

5. We made inquiries of management and obtained the university's organization chart, employee job descriptions, and written athletic department policies and procedures to identify aspects of internal control unique to the university's Intercollegiate Athletics Program and to detect deficiencies in the components of those controls.

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We detected no deficiencies in the components of internal control unique to the university's Intercollegiate Athletics Program, except as noted in procedure 8.

6. We performed tests of controls unique to the university's Intercollegiate Athletics Program to ensure that recorded revenues are complete and expenses are properly authorized:

- a. We selected one cash receipt transaction (batch) for ticket sales and followed it through the university's cash control system to determine adherence to established policies and procedures.

We found no exceptions as a result of this procedure.

- b. We selected ten random cash disbursement transactions and followed them through the university's accounting system to determine adherence to established policies and procedures.

We found no exceptions as a result of this procedure.

- c. We conducted inquiries of the athletic department personnel to determine their compliance with policies and procedures relating to the control and safeguarding of unsold tickets.

We found no exceptions as a result of this procedure.

- d. We compared the amount of state General Fund appropriation transferred to the Auxiliary Fund (Athletics) and to the Restricted Fund (Women's Athletic Complex) to determine compliance with the amount allowed by the Board of Regents.

We found no exceptions as a result of this procedure.

7. We inquired of management about the involvement of the university's internal auditor in the Intercollegiate Athletics Program and requested any working paper documentation and reports issued by the internal auditor to support the auditor's involvement.

During fiscal year 2003, the internal auditor issued five reports on the Intercollegiate Athletics Program relating to athletic equipment and apparel, athletic ticket and attendance, financial aid, NCAA compliance, and athletic program sales review. The reports made recommendations for improving controls that management has addressed. No reports resulted in NCAA violations.

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8. We obtained the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's Intercollegiate Athletics Program to identify deficiencies in the design of those procedures.

We noted two disbursements totaling \$67,000 paid by the McNeese State University Foundation to the head football coach's corporation. We were informed that these payments were to be used for the payment of bonuses to the head coach, other coaches, and athletic staff. We examined copies of imaged checks and tied the checks to a schedule prepared by the head coach that noted \$61,800 was distributed to other coaches and athletic staff and \$5,200 was retained in the head football coach's corporate account. NCAA Rule 11.3.2.3 allows the payment of such bonuses to athletic staff members for recognition of a specific and extraordinary achievement in conformance with institutional policy. Since the University of Louisiana System Board of Supervisors is responsible for approving the salaries of its employees, any bonuses or increases in salaries afforded coaches and staff, which result from their university activities, should first be subject to approval by the board and processed through the university to improve institutional control over those payments.

**DISBURSEMENTS OF OUTSIDE ORGANIZATIONS MADE
FOR OR IN BEHALF OF THE MCNEESE STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

9. We obtained written representation from management of the university that the following booster groups were the only outside organizations created for or in behalf of the athletic department. We did not audit the financial statements of the outside organizations.

	Beginning Balance July 1, 2002	Receipts
McNeese State University outside organizations:		
Cowboy Club	\$23,060	\$397,178
Foundation Accounts	784,566	586,593
Total	<u>\$807,626</u>	<u>\$983,771</u>

<u>Contributions to Athletic Department</u>	<u>Contributions for Athletic Department</u>	<u>Other</u>	<u>Ending Balance June 30, 2003</u>
\$129,894		\$278,040	\$12,304
<u>86,746</u>	<u>\$417,174</u>	<u>25,000</u>	<u>842,239</u>
<u>\$216,640</u>	<u>\$417,174</u>	<u>\$303,040</u>	<u>\$854,543</u>

LEGISLATIVE AUDITOR

DR. ROBERT D. HEBERT, PRESIDENT
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10. For all outside organizations that had an independent audit, we obtained the independent auditor's reports to identify any reportable conditions relating to the outside organizations' internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

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, 2003. The audit report dated November 11, 2003, did not include a report relating to the outside organization's internal control; however, inquiries of management disclosed that there were no recommendations made concerning the outside organization's internal control.

11. We obtained statements of cash receipts and disbursements from representatives of the outside organizations and agreed them to the accounting records of the outside organizations.

We found no exceptions as a result of this procedure.

12. We compared the cash disbursements made by outside organizations for or in behalf of the athletic department to the revenues reported on the university's Statement of Revenues and Expenses (Statement A) and identified any reconciling items.

There were no reconciling items.

13. We compared the direct payments of outside organizations to the university with the revenues reported on the university's Statement of Revenues and Expenses (Statement A) and identified any reconciling items.

There were no reconciling items other than accruals.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenses of the Intercollegiate Athletics Program. Accordingly, we do not express such an opinion. Also, we express no opinion on McNeese State University's internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

LEGISLATIVE AUDITOR

**DR. ROBERT D. HEBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
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This report is intended solely for the information and use of management of McNeese State University and is not intended to be, and should not be, used by anyone other than management of the university. Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

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[MSUNCAA03]

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2003**

	CURRENT FUNDS		
	(PORTION OF) UNRESTRICTED - AUXILIARY ENTERPRISE FUND	RESTRICTED - ATHLETIC FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES			
Gate receipts	\$932,560		\$932,560
Season ticket sales	626,610		626,610
Guarantees	705,000		705,000
Sales and services	25,917	\$500	26,417
General Fund transfer	2,257,623	125,000	2,382,623
Gifts	346,247	6,024	352,271
In-kind contributions		565,174	565,174
Gaming revenue	89,944	5,227	95,171
Conference revenue	356,362		356,362
Miscellaneous	37,722	137,428	175,150
Total revenues	<u>5,377,985</u>	<u>839,353</u>	<u>6,217,338</u>
EXPENSES			
Personal services:			
Salaries	1,342,252	69,000	1,411,252
Related benefits	300,455	104,116	404,571
Travel	784,162	15,143	799,305
Operating services	275,564	138,823	414,387
Supplies	293,011	147,649	440,660
Professional services	89,250	44,000	133,250
Scholarships	1,149,196		1,149,196
Other charges	297,265	2,254	299,519
Guarantees	381,627		381,627
Retirement of indebtedness	60,000		60,000
Interest on indebtedness	45,520		45,520
Capital outlay	41,036	213,927	254,963
Total expenditures	<u>5,059,338</u>	<u>734,912</u>	<u>5,794,250</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$318,647</u>	<u>\$104,441</u>	<u>\$423,088</u>