ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR

AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 9, 2008

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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TABLE OF CONTENTS

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

December 3, 2007

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

DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Louisiana Tech University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Louisiana Tech University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2007, and to assist you in your evaluation of the effectiveness of the Louisiana Tech University Athletic Department's internal control over financial reporting as of June 30, 2007. 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 Louisiana Tech 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, 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, 2007. We also verified the mathematical accuracy of the amounts on the Statement and agreed the amounts to supporting schedules provided by the university and the university's general ledger.

We found no exceptions as a result of these procedures.

2. We obtained an understanding and tested the specific elements of the control environment and accounting systems that are unique to the university's intercollegiate athletics program. We used the transactions listed in the various procedures below to test the controls that are unique to the university's intercollegiate athletics program.

   We detected no significant deficiencies in the control environment and accounting systems of the university's intercollegiate athletic department as a result of these procedures, except as noted in Procedure Number 1 under Minimum Agreed-Upon Procedures for Revenues.

3. We compared each operating revenue and expense category for June 30, 2006, and June 30, 2007, to identify variances of 25 percent or greater between individual revenue and expense categories (line items) that are 10 percent or more of the total.

   As a result of our procedure, we identified each variance of 25 percent or greater that is 10 percent or more of the total in the following revenue and expense accounts:

   <u>Revenues</u>
   Away - games' sales and guarantees
   NCAA/Conference distribution including all tournament revenues

   <u>Expenses</u>
   None

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year June 30, 2007, to identify any variances of 25 percent or greater in individual revenue and expense categories (line items) that are 10 percent or more of the total.

   As a result of our procedure, an NCAA/Conference distribution was the only account with a variance of 25 percent or greater that is 10 percent or more of the total.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the university, we compared the value of tickets sold for the reporting period per the schedule to the related revenue reported in the Statement. We agreed the information on the schedule to the supporting game reconciliation for the football and basketball games with the largest ticket sales. We recalculated the reconciliations for the games tested and found that the reconciliation for the Idaho football game prepared by the Athletic Department and reviewed by the Accounting Department did not agree by five unsold tickets.

2. We were to obtain and document an understanding of the university's methodology for allocating student fees to the intercollegiate athletics program. We were to then compare and agree the student fees reported in the Statement to student enrollment for reasonableness.

   We found no student fees allocated to the intercollegiate athletics program.

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 on the contractual agreement.

   We found no exceptions as a result of these procedures.

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

   We found no exceptions as a result of these procedures.

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

   We found no exceptions as a result of these procedures.

6. We obtained and inspected agreements related to the university's participation in revenues from NCAA/Conference tournaments during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

   We found no exceptions as a result of these procedures.

7. We obtained and inspected agreements related to the university's participation in revenues from royalties, advertisements, and sponsorships during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

   We found no exceptions as a result of these procedures.

8. We selected one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

   We found no exception 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 obtained and inspected the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period and agreed the related expenses to the university's general ledger and Statement. We recalculated the totals.

   We found no exceptions as a result of this procedure.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university, 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. 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. Obtained and inspected W-2s, 1099s, et cetera, for each selection.

   c. Compared and agreed related W-2s, 1099s, et cetera, 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. We were to use a list prepared by the university to select an athletic employee who received the highest severance payment and agree the severance pay to the related termination letter or employment contract. We were also to recalculate the totals.

   We found no athletic employees received severance payments as defined by NCAA guidelines.

5. We obtained and documented an understanding of the university's recruiting expense policies. We compared and agreed these policies to existing university and NCAA related policies.

   We found no significant differences as a result of this procedure.

6. We obtained an understanding of the university's team travel policies. We compared and agreed these policies to existing university and NCAA related policies.

   We found no significant differences as a result of this procedure.

7. We obtained and documented an understanding of the institution's methodology for allocating indirect facilities support. We recalculated the indirect facilities support and indirect institutional support totals reported by the university in the Statement.

   We found no exceptions as a result of these procedures.

8. 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. We also recalculated the totals.

   We found no exceptions as a result of these procedures.

9. We selected one operating expense from each category not previously mentioned above and agreed to adequate supporting documentation.

   We found no exceptions as a result of this procedure.

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 total contributions. We reviewed the documentation provided by the university supporting the source of funds and confirmed that the value of the contribution is disclosed in the notes to the statement.

   The Louisiana Tech University Foundation, Inc., an outside organization, contributed monies, goods, and services for or on behalf of the athletic department totaling $1,112,666 which exceeded 10 percent of the total contributions.

2. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities by type along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

   We were provided the capital asset information by management (note 2).

3. We agreed the capital asset schedule to the university's general ledger and selected any capitalized addition that was greater than 15 percent of total capital additions and agreed recorded cost to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained written representations from management of the university that the Louisiana Tech University Foundation, Inc., was the only outside organization created for or in behalf of the athletic department.

2. We obtained from management a summary of revenues and expenses for, or on behalf of, intercollegiate athletics programs by affiliated and outside organizations and written representations as to the fair presentation of the summary and agreed the amounts reported to the university's general ledger.

   We found no exceptions as a result of these procedures.

3. We obtained and tested 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.

   We found no significant deficiencies in the design of 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.

4. We obtained the independent auditor's report for all outside organizations to identify any reportable conditions relating to their internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

   The financial statements of the Louisiana Tech University Foundation, Inc., and the Louisiana Tech Alumni Association, Inc., were audited by an independent certified public accounting firm for the years ended June 30, 2007 and 2006 and June 30, 2006 and 2005, respectively. The audit reports are dated September 12, 2007, and December 15, 2006, respectively, and included no reportable conditions relating to 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 Louisiana Tech University's Athletic Department or on its compliance with NCAA Bylaw 6.2.3 or on the effectiveness of the Louisiana Tech University Athletic Department's internal control over financial reporting for the year ended June 30, 2007. 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 Louisiana Tech 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,

Steve J. Theriot, CPA
Legislative Auditor

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Statement A

ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues and Expenses
For the Year Ended June 30, 2007

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	$539,701	$79,866	$150,659	$47,876	$19,483	$837,585
Away - games' sales and guarantees	1,950,000	150,000		4,000		2,104,000
Contributions	46,805	16,578	10,646	29,990	437,568	541,587
Direct institutional support	199,039	64,100	104,886	676,585	3,386,880	4,431,490
Indirect facilities and administrative support					1,946,568	1,946,568
NCAA/Conference distributions including all tournament revenues		8,117	1,400	9,641	1,538,859	1,558,017
Program sales, concessions, novelty sales, and parking	18,160	3,546	4,226	3,869	138,107	167,908
Royalties, advertisements, and sponsorships				18,750	369,482	388,232
Other	406				46,672	47,078
Total operating revenues	2,754,111	322,207	271,817	790,711	7,883,619	12,022,465
EXPENSES						
Operating expenses:						
Athletics student aid	1,067,920	199,221	212,588	1,279,921	185,333	2,944,983
Guarantees	100,000	4,000	1,500			105,500
Coaching salaries, benefits, and bonuses paid by the university or related entities	929,103	378,117	401,870	471,088		2,180,178
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	98,164	27,990	75,150		992,462	1,193,766
Recruiting	90,802	37,236	44,057	52,964	5,616	230,675
Team travel	720,295	153,555	215,421	645,672		1,734,943
Equipment, uniforms and supplies	329,850	24,251	22,175	114,780	90,209	581,265
Game expenses	84,439	53,812	48,814	56,508	14,891	258,464
Fund raising, marketing and promotion	26,852	6,308	8,458	5,416	73,002	120,036
Direct facilities, maintenance and rental	30,391	5,368	4,675	31,597	195,894	267,925
Indirect facilities and administrative support					1,946,568	1,946,568
Medical expenses and medical insurance					38,366	38,366
Memberships and dues					400,000	400,000
Other operating expenses	10,140	9,759	13,425	6,210	31,991	71,525
Total operating expenses	3,487,956	899,617	1,048,133	2,664,156	3,974,332	12,074,194
EXCESS (Deficiency) OF REVENUES OVER (UNDER) EXPENSES	($733,845)	($577,410)	($776,316)	($1,873,445)	$3,909,287	($51,729)

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1. CONTRIBUTIONS

No individuals or outside organizations, other than the Louisiana Tech 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. The Louisiana Tech Foundation's contribution totaled $1,112,666.

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 established 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.

Capital asset activity for the Athletic Department for the year ended June 30, 2007, is as follows:

	Balance June 30, 2006	Prior Period Adjustments	Restated Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital Assets:						
Land improvements	$395,085		$395,085	$857,094		$1,252,179
Less - accumulated depreciation	(395,085)		(395,085)	(42,855)		(437,940)
Total land improvements	NONE	NONE	NONE	814,239	NONE	814,239
Buildings	24,795,680		24,795,680	628,290	$292,408	25,131,562
Less - accumulated depreciation	(14,574,432)	$1	(14,574,431)	(628,290)	(74,365)	(15,128,356)
Total buildings	10,221,248	1	10,221,249	NONE	218,043	10,003,206
Equipment	422,028		422,028	5,542	8,738	418,832
Less - accumulated depreciation	(334,736)	2	(334,734)	(16,882)	(8,738)	(342,878)
Total equipment	87,292	2	87,294	(11,340)	NONE	75,954
Total capital assets	$10,308,540	$3	$10,308,543	$802,899	$218,043	$10,893,399
Capital Asset Summary:						
Capital assets, at cost	$25,633,888	($21,095)	$25,612,793	$1,490,926	$301,146	$26,802,573
Less - accumulated depreciation	(15,325,348)	21,098	(15,304,250)	(688,027)	(83,103)	(15,909,174)
Capital assets, net	$10,308,540	$3	$10,308,543	$802,899	$218,043	$10,893,399

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