Athletic Department
McNeese State University
University of Louisiana System
State of Louisiana

Agreed-Upon Procedures Report
Issued February 23, 2011

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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of $14.85. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3481 or Report ID No. 80100107 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 11, 2011

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

DR. PHILIP C. WILLIAMS, 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 3.2.4.16.1 for the year ended June 30, 2010, 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, 2010. 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:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussion with management, the identity of those aspects of internal control which 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 two 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 discussed with 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 internal auditor reports issued during the period relating to the intercollegiate athletics program and identified any significant deficiencies noted.

   No significant deficiencies were noted in the internal audit reports obtained.

4. 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 those 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 of the intercollegiate athletics program, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, completeness of the list of all known affiliated and outside organizations, and other information we considered necessary for the year ended June 30, 2010.

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.

No mathematical inaccuracies were noted; however, we found that medical expenses in the amount of $11,183 coded to other sports should have been coded to football.

3. We compared and agreed a sample of five operating revenue receipts and a sample of five expense disbursements obtained from the supporting schedules to adequate supporting documentation.

   We found no exceptions as a result of these procedures.

4. We compared each major operating revenue and expense account for June 30, 2009, and June 30, 2010, to identify variances of 20 percent or greater between individual revenue and expense line items that are 5 percent or more of the total and obtained the university's explanations for any significant variations.

   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
   Ticket sales

   Expenses
   None

5. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense account for the year ended June 30, 2010, to identify any variances of 20 percent or greater in individual revenue and expense line items that are 5 percent or more of the total and obtained the university's explanations for any significant variations.

   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 used a schedule prepared by the university and compared the value of the tickets sold, complementary 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 the related attendance figures. We agreed the

information on the schedule to the supporting game reconciliations for a random sample of one football, one basketball, and one baseball game and recalculated the reconciliations for the games tested.

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, recalculated the totals, and obtained explanations from the university regarding any variances in excess of 5 percent.

   We found no exceptions as a result of this procedure.

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 settlement report for the game tested.

   We found no exceptions as a result of this procedure.

4. We have obtained and reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals, two or more, that are not considered corporate sponsors that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods.

   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.

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

   The university had no direct state and other governmental support as defined by NCAA guidelines.

6. We compared direct institutional support recorded by the university 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.

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

   We found no exceptions as a result of this procedure.

8. We compared and agreed the NCAA/Conference distributions revenue to the general ledger and/or the Statement based on the relevant terms and conditions of all agreements related to the university's participation in NCAA/Conference tournaments and recalculated the totals.

   We found no exceptions as a result of this procedure.

9. We inquired about agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period and determined the university had none.

10. 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 the trade-out sponsorship agreements had not been included in the report, which understated Contributions and Other Operating Expenses by $11,500. In addition, we noted that the Wendy's sponsorship was understated, which understated the royalties, licensing, advertisements, and sponsorship revenue by $3,000.

11. We inquired about sports-camp contracts between the university and person(s) conducting the camps or clinics.

    The university had no sports camps or clinics nor did it have any revenue from sports camps during the reporting period.

12. We randomly selected one endowment agreement and compared and agreed the classification and use of the endowment and investment income reported in the statement for the period to the uses of income as defined in the agreement and recalculated the totals.

    We found no exceptions as a result of this procedure.

13. We randomly selected one program sales, one concession, and one parking revenue receipt, agreed to adequate supporting documentation, and recalculated the totals. We found that the university did not have any transactions coded to novelty sales.

    We found no exceptions as a result of this procedure.

14. We randomly 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 randomly 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 and related entities during the reporting period. We examined the contracts for the head coaches from football, men's and women's basketball, and two randomly selected 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.

   (d) We recalculated the totals.

   We found no exceptions as a result of these procedures.

4. We inquired about coaches and support staff/administrative personnel that were paid by third parties and were informed by management that no salaries were paid by third parties.

5. Using a list prepared by the university, we randomly selected two athletic employees with severance payments 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.

6. We compared and agreed the university's recruiting expense policies to existing institutional and NCAA-related policies.

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

7. We compared and agreed the university's team travel policies to existing institutional and NCAA-related policies.

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

8. We have obtained and documented an understanding of the university's methodology for allocating indirect facilities support.

9. We summed the indirect facilities and institutional support totals reported by the university in the Statement to determine if 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 randomly selected one operating expense from each category not previously mentioned, agreed to adequate supporting documentation, and recalculated the totals.

    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 of money, goods, or services received directly 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 in the notes to the Statement.

   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 agreed the schedule of changes to the university's general ledger and affiliated and outside organizations financial statements. We ensured the university's policies and procedures and schedule of changes were properly disclosed within the notes to the Statement.

   We noted that the beginning balance in accumulated depreciation - buildings was overstated by $874 and that current year accumulated depreciation - equipment was overstated by $1,209.

3. We obtained the repayment schedules for all outstanding intercollegiate athletics debt maintained incurred by the university and or affiliated and outside organizations during the period 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 the repayment schedule was 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 in behalf of the athletic department.

2. We obtained from management statements for all affiliated and outside organizations and performed the following:

   a. We agreed the amounts reported in the statements to the university's general ledger or confirmed revenues and expenses directly with a responsible official of the organization.

   b. We reconciled the cash disbursements made by the organization for or on behalf of the university's intercollegiate athletics programs or employees to the revenues reported on the university's Statement.

   c. We reconciled the direct payments of the outside organizations to the university with the revenues reported on the university's Statement.

A contribution to the university during fiscal year 2010 was not included in the current year revenues, which resulted in an understatement of contributions of $6,750. Also, noted contributions and expenses made on behalf of the university from the Cowboy Club were understated by $10,374.

3. We obtained written representation from management of the university that the listing of all known affiliated and outside organizations provided to us are the only outside organizations created for or on behalf of the athletic department.

   We found no exceptions as a result of this procedure.

4. We obtained from 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:

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Revenues:						
Contributions	$142,721	$32,350	$19,992	$232,166	$58,035	$485,264
NCAA/Conference distributions including all tournament revenues	30,433	4,040	3,499	8,000	2,843	48,815
Total revenues	173,154	36,390	23,491	240,166	60,878	534,079
Expenses:						
Athletic student aid	208	104				312
Coaching salaries, benefits, and bonuses paid by the university and related entities		225				225
Recruiting	3,981	2,809	2,668	13,939		23,397
Team travel	15,031	2,924	498	42,422	667	61,542
Equipment, uniforms, and supplies	45,203	1,350	1,828	59,347	12,947	120,675
Game expenses	8,200	4,750	4,750	1,363		19,063
Fund raising, marketing, and promotion	26,804	4,499	3,250	11,819	22,919	69,291
Direct facilities, maintenance, and rental	4,786			59,024	368	64,178
Medical expenses and medical insurance	11,183				1,540	12,723
Memberships and dues	370	70	508	2,022	290	3,260
Other operating expense	57,388	19,659	9,989	50,230	22,147	159,413
Total expenses	173,154	36,390	23,491	240,166	60,878	534,079
EXCESS OF REVENUES OVER EXPENSES	NONE	NONE	NONE	NONE	NONE	NONE

Other than the corrections made as a result of procedure number two, we found no exceptions as a result of these procedures.

5. We obtained written representation from management 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.

6. 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, 2010. The audit report is dated October 26, 2010, and includes no significant deficiencies on the outside organization's internal control. In addition, the financial statements of the Cowboy Facilities, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2010. The audit report is dated September 7, 2010, 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 and related notes of the university's athletic department or on its compliance with NCAA Bylaw 3.2.4.16.1 or on the effectiveness of the university athletic department's internal control over financial reporting for the year ended June 30, 2010. 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 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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KDD:BH:EFS:THC:dl

MSUNCAA 2010

Statement A

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

Statement of Revenues and Expenses
For the Year Ended June 30, 2010

REVENUES	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Operating Revenues:						
Ticket sales	$1,140,782	$17,113	$17,112	$35,214		$1,210,221
Student Fees					$188,707	188,707
Guarantees	250,000	310,000	27,000	15,000		602,000
Contributions	408,715	42,250	43,618	304,051	131,230	929,864
Direct institutional support	388,948	173,649	67,251	1,918,986	793,169	3,342,003
Indirect institutional support					207,075	207,075
NCAA/Conference distributions, including all tournament revenues	38,233	4,039	365,108	22,669	78,685	508,734
Program sales, concessions, novelty sales, and parking	17,400	147	147	2,718	111,008	131,420
Royalties, licensing, advertisements, and sponsorships	8,028			32,842	477,500	518,370
Other				55,365	26,281	81,646
Total operating revenues	2,252,106	547,198	520,236	2,386,845	2,013,655	7,720,040
EXPENSES						
Operating Expenses:						
Athletics student aid	689,947	154,108	112,351	768,690	89,667	1,814,763
Guarantees	222,302	15,000	6,261	25,194		268,757
Coaching salaries, benefits, and bonuses paid by the university and related entities	497,649	163,418	159,400	631,102		1,451,569
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	51,998	21,502	24,948	67,180	665,961	831,589
Severance payments	1,254			7,099		8,353
Recruiting	48,234	27,730	39,988	72,167		188,119
Team travel	216,790	104,993	77,945	473,616	667	874,011
Equipment, uniforms, and supplies	100,838	15,821	16,343	131,361	15,143	279,506
Game expenses	111,427	33,540	35,287	51,141	3,457	234,852
Fund raising, marketing, and promotion	26,804	4,499	3,250	11,819	22,919	69,291
Direct facilities, maintenance, and rental	15,035	180		59,792	821,514	896,521
Indirect facilities and administrative support					207,075	207,075
Medical expenses and medical insurance	11,183				159,398	170,581
Membership and dues	15,695	2,485	508	3,283	41,761	63,732
Other operating expense	172,764	40,432	17,414	107,948	193,573	532,131
Total operating expenses	2,181,920	583,708	493,695	2,410,392	2,221,135	7,890,850
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$70,186	($36,510)	$26,541	($23,547)	($207,480)	($170,810)

This page is intentionally blank.

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, 2010, is as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010,
Capital assets not being depreciated - construction-in-progress	$595,000	$946,318	NONE	$1,541,318
Other capital assets:				
Land improvements	$2,762,100			$2,762,100
Less - accumulated depreciation (restated)	(1,027,226)	($157,780)		(1,185,006)
Total land improvements	1,734,874	(157,780)	NONE	1,577,094
Buildings	11,982,255			11,982,255
Less - accumulated depreciation	(5,978,289)	(241,353)		(6,219,642)
Total buildings	6,003,966	(241,353)	NONE	5,762,613
Equipment	218,639		($6,045)	212,594
Less - accumulated depreciation	(86,955)	(22,270)	3,627	(105,598)
Total equipment	131,684	(22,270)	(2,418)	106,996
Total other capital assets	$7,870,524	($421,403)	(2,418)	$7,446,703
Capital Asset Summary:				
Capital assets not being depreciated	$595,000	$946,318		$1,541,318
Other capital assets, at cost	14,962,994		($6,045)	14,956,949
Total cost of capital assets	15,557,994	946,318	(6,045)	16,498,267
Less - accumulated depreciation	(7,092,470)	(421,403)	3,627	(7,510,246)
Capital assets, net	$8,465,524	$524,915	($2,418)	$8,988,021

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. The bond was paid off during fiscal year 2010.

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, 2010:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2009	Issued (Redeemed)	Outstanding June 30, 2010	Maturities	Interest Rates	Interest Outstanding June 30, 2010
Cowboy Facilities, Inc.:								
University Stadium Parking Revenue Bonds - Series 2004	February 1, 2004	$820,000	$450,000	($450,000)	NONE			
University Scoreboard Project Bonds - Series 2005	April 1, 2005	1,900,000	1,280,000	(180,000)	$1,100,000	2015	6.5%	$223,275
Total		$2,720,000	$1,730,000	($630,000)	$1,100,000			$223,275

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2010:

Fiscal Year Ending	Principal	Interest	Total
2011	$195,000	$71,500	$266,500
2012	205,000	58,825	263,825
2013	220,000	45,500	265,500
2014	230,000	31,200	261,200
2015	250,000	16,250	266,250
Total	$1,100,000	$223,275	$1,323,275

UNAUDITED