

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



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 15, 2012

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 11, 2012

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 Louisiana Tech 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, 2011, and to assist you in your evaluation of the effectiveness of the university athletic department's internal control over financial reporting as of June 30, 2011. 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 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 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 inquired of 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 determined that the university's internal auditor issued internal audit reports during the period relating to the intercollegiate athletics program. We found no significant deficiencies identified in the internal audit reports.
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 the 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, 2011.
2. We verified the mathematical accuracy of the amounts on the Statement and agreed each operating revenue and expense category reported on the Statement to supporting schedules provided by the university and the university's general ledger.

We found no exceptions as a result of these procedures.

3. We compared each major operating revenue and expense account for June 30, 2010, and June 30, 2011, to identify variances of 25 percent or greater between individual revenue and expense accounts (line items) that are 10 percent or more of the total.

We identified no variances of 25 percent or greater between individual revenue and expense accounts that are 10 percent or more of the total.

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each major operating revenue and expense account for the year June 30, 2011, to identify any variances of 25 percent or greater in individual revenue and expense accounts (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.

Revenues

Contributions
Direct institutional support
Indirect facilities and administrative support
NCAA/Conference distribution

Expenses

Severance payments
Indirect facilities and administrative support

We obtained and documented the university's explanation for the variances.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the university, we compared the value of tickets sold, complementary tickets provided, and unsold tickets for the reporting period per the schedule to the related revenue reported in the general ledger and Statement. We were to compare the value to related attendance figures; however, official attendance figures are not maintained by the university. We agreed the information on the schedule to the supporting game reconciliation for one football and two basketball games. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We randomly selected a sample of one away game with a game guarantee settlement and agreed the amount to the general ledger and to the contractual settlement. We recalculated the totals on the settlement reports for the game tested.

We found no exceptions as a result of these procedures.

3. We selected one contractual agreement pertaining to revenues derived from the guaranteed contest during the reporting period and compared and agreed the selection to the university's general ledger.

We found no exceptions as a result of these procedures.

4. We compared 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.

5. 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.

6. We obtained and inspected one agreement at random relating to the university's participation in revenues from NCAA/Conference tournaments during the period. Based on the relevant terms and conditions of the agreement, 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 one agreement relating to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period. Based on the relevant terms and conditions of the agreement, 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 randomly selected a sample of one operating revenue receipt 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 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 obtained and inspected a random sample of one contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period. Using the game settlement report from this contest, we agreed the related expenses to the university's general ledger and Statement. We recalculated the 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 and examined the contracts for two support staff/administrative personnel and all head coaches from football, men's and women's basketball, and baseball. 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. Using a list prepared by the university, we randomly selected one athletic employee that received severance pay and agreed the severance pay to the related termination letter and employment contract. We recalculated the totals.

We found no exceptions as a result of these procedures.

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

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

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

We found no exceptions as a result of this procedure.

8. We summed the indirect facilities support and indirect institutional support totals reported by the university in the Statement and determined if they were presented in accordance with the university's methodology for allocating indirect facilities support.

We found no exceptions as a result of these procedures.

9. 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 recalculated the totals.

We found no exceptions as a result of these procedures.

10. We randomly selected a sample of two equipment, uniform, and supply expense transactions and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

11. We randomly selected a sample of one game expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

12. We randomly selected a sample of one fund raising, marketing, and promotion expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

13. We randomly selected a sample of one medical and medical insurance expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

14. We randomly selected a sample of one membership and dues expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

15. We randomly selected a sample of one operating expense from each category not previously mentioned and agreed to adequate supporting documentation. 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 from university management a list of contributions of monies, goods, or services received directly by the athletic department to identify any contributions from an affiliated or outside organization, agency, or group of individuals (two or more) that constitute 10 percent or more of total contributions during the reporting period. We ensured the source of funds, goods, and services as well as the value associated with these items was disclosed within 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 that exceeded 10 percent of the total contributions.

2. We obtained a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets along with a schedule of changes in those assets. We agreed the schedule of changes to the university's general ledger and ensured the university's policies and procedures and schedule of changes were properly disclosed in the notes to the Statement.

We found no exceptions as a result of these procedures.

3. We were to obtain from university management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the university during the period. If such debt existed, we were to recalculate the annual maturities, agree annual maturities to supporting documentation and to the university's general ledger, and ensure the repayment schedule was properly disclosed within the notes to the Statement.

The university did not maintain any debt related to intercollegiate athletics during the period.

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period.
2. We obtained written representations from management of the university that the Louisiana Tech University Foundation, Inc., was the only outside organization created for or on behalf of the athletic department.
3. 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. We compared the summary schedule provided by the outside organization to ensure data was included in the university's Statement.

We found no exceptions as a result of these procedures.

4. We obtained written representations as to the fair presentation of the summary schedule. We were to agree the amounts reported to the university's general ledger. The Louisiana Tech University Foundation, Inc.'s revenues and expenses are not included in the university's general ledger.
5. We obtained the independent auditor's report for all outside organizations to identify any significant deficiencies relating to their internal control. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The financial statements of the Louisiana Tech University Foundation, Inc., were audited by an independent certified public accounting firm for the years ended June 30, 2011 and 2010. The audit report is dated September 7, 2011, and included no significant deficiencies 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 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, 2011. 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KVL:BAC:BDC:THC:ch

LTUNCAA 2011

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2011**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	BASEBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES							
Operating revenues:							
Ticket sales	\$1,138,044	\$74,804	\$100,515	\$45,497	\$1,414		\$1,360,274
Guarantees	750,000	135,000	5,000	5,443			895,443
Contributions	448,570	205,374	51,413	53,627	133,642	\$1,631,108	2,523,734
Direct institutional support	2,295,857	899,605	877,169	493,839	2,549,248	93,677	7,209,395
Indirect facilities and administrative support						2,029,516	2,029,516
NCAA/Conference distributions including all tournament revenues	434,826	176,648	203,912	93,883	375,201	663,048	1,947,518
Program sales, concessions, novelty sales, and parking	61,143	2,970	3,681	2,644	89	213,901	284,428
Royalties, licensing, advertisements, and sponsorships						635,142	635,142
Other	700			413	700	259,296	261,109
Total operating revenues	<u>5,129,140</u>	<u>1,494,401</u>	<u>1,241,690</u>	<u>695,346</u>	<u>3,060,294</u>	<u>5,525,688</u>	<u>17,146,559</u>
EXPENSES							
Operating expenses:							
Athletics student aid	1,363,172	236,130	236,869	197,590	1,346,331	236,212	3,616,304
Guarantees	400,000	7,800	14,265	6,183	1,100		429,348
Coaching salaries, benefits, and bonuses paid by the university or related entities	1,572,869	583,016	471,178	180,906	627,945		3,435,914
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	170,858	100,236	91,592		1,143	1,309,255	1,673,084
Severance payments		100,000					100,000
Recruiting	144,058	40,641	36,235	25,129	55,872	2,785	304,720
Team travel	780,515	236,373	193,242	148,225	670,571	1,816	2,030,742
Equipment, uniforms, and supplies	432,956	58,267	34,145	87,179	215,257	842,994	1,670,798
Game expenses	78,694	80,200	69,846	28,671	42,185	74,084	373,680
Fund raising, marketing, and promotion	27,326	1,954	3,098	373	6,983	193,714	233,448
Direct facilities, maintenance, and rental	35,804	14,254	17,447	1,688	10,471	398,467	478,131
Indirect facilities and administrative support						2,029,516	2,029,516
Medical expenses and medical insurance						195,672	195,672
Memberships and dues	680	125	580		3,716	409,924	415,025
Other operating expenses	38,195	5,774	44,245	516	7,050	53,121	148,901
Total operating expenses	<u>5,045,127</u>	<u>1,464,770</u>	<u>1,212,742</u>	<u>676,460</u>	<u>2,988,624</u>	<u>5,747,560</u>	<u>17,135,283</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$84,013</u>	<u>\$29,631</u>	<u>\$28,948</u>	<u>\$18,886</u>	<u>\$71,670</u>	<u>(\$221,872)</u>	<u>\$11,276</u>

NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

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 \$1,712,161.

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 repair 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, 2011, is as follows:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets:				
Land improvements	\$857,094			\$857,094
Less - accumulated depreciation	(171,419)	(\$42,855)		(\$214,274)
Total land improvements	<u>685,675</u>	<u>(42,855)</u>	NONE	<u>642,820</u>
Buildings	27,845,412			27,845,412
Less - accumulated depreciation	(16,884,961)	(623,021)		(17,507,982)
Total buildings	<u>10,960,451</u>	<u>(623,021)</u>	NONE	<u>10,337,430</u>
Equipment	473,497			473,497
Less - accumulated depreciation	(380,381)	(24,073)		(404,454)
Total equipment	<u>93,116</u>	<u>(24,073)</u>	NONE	<u>69,043</u>
 Total capital assets	 <u>\$11,739,242</u>	 <u>(\$689,949)</u>	 NONE	 <u>\$11,049,293</u>
Capital Asset Summary:				
Capital assets, at cost	\$29,176,003			\$29,176,003
Less - accumulated depreciation	(17,436,761)	(\$689,949)		(18,126,710)
 Capital assets, net	 <u>\$11,739,242</u>	 <u>(\$689,949)</u>	 NONE	 <u>\$11,049,293</u>