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

Agreed-Upon Procedures Report
Issued February 5, 2014

LOUISIANA LEGISLATIVE AUDITOR
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TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 12, 2013

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 (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2013, 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, 2013. 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 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 reporting period relating to the intercollegiate athletics program to identify 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 this procedure.

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 legislation, completeness of the list of all known affiliated and outside organizations, and other information we considered necessary for the year ended June 30, 2013.

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 this procedure.

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.

One exception was noted in the test of operating expenses, which resulted in a $190 overstatement of membership and dues and an understatement of other operating expenses.

4. We compared each major operating revenue and expense account for June 30, 2012, and June 30, 2013, to identify variances of 20 percent or greater between individual revenue and expense accounts that are 5 percent or more of the total and obtained the University's explanations.

   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
   Royalties, licensing, advertising and sponsorships

   Expenses
   Direct facilities, maintenance, and rental

   We obtained and documented the University's explanations for these variances. All explanations were reasonable.

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, 2013, to identify any variances of 20 percent or greater in individual revenue and expense accounts that are 5 percent or more of the total and obtained the University's explanations.

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

   Revenues
   Contributions

   Expenses
   Team travel

   We obtained and documented the University's explanations for these variances. All explanations were reasonable.

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.

Exceptions were noted in the football season ticket sales, resulting in overstatements of tickets sales of $5,260 and other operating revenue of $340, and understatements of program sales, concessions, novelty sales, and parking of $5,540 and royalties, licensing, advertisements, and sponsorships of $60. In addition, an exception was noted on the individual game reconciliation which resulted in overstatements of other operating revenue of $120 and ticket sales of $3,767, and understatements of contributions of $646 and program sales, concessions, novelty sales, and parking of $3,257. Statement A was corrected.

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 period.

   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 inquired about direct state or other governmental support recorded by the University during the period with state appropriations, institutional authorizations, and other corroborative supporting documentation and were informed by management that the University had no direct state or 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 reporting 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, including all tournament revenues, 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 during the reporting period and recalculated the totals.

   We found no exceptions as a result of this procedure.

9. We obtained and inspected all agreements related to the University's participation in revenues from broadcasts, television, radio, and Internet rights during the period. We compared and agreed the related revenues to the general ledger and/or the Statement and recalculated the totals.

   We found no exceptions as a result of this procedure.

10. We obtained and inspected all agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period. We compared and agreed the related revenues to the general ledger and/or the Statement and recalculated the totals.

    An exception was noted, which resulted in understatements of royalties, licensing, advertisements, and sponsorships of $1,200, contributions of $2,000 and fund raising, marketing, and promotions of $2,000. Statement A was corrected.

11. We inquired about sports-camp contracts between the University and person(s) conducting the camps or clinics and were informed by management that the University had no sports camps or clinics during the reporting period.

    Although the University hosted no sports camps or clinics nor did it have any revenue from sports camps during the reporting period, there were some expenses being incorrectly reported as sports-camp expenses. This was an overstatement of sports-camp expenses of $4,950 and an understatement other operating expenses of the same amount. Statement A was corrected.

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 reporting 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 operating revenue receipt from each category not previously mentioned and agreed to adequate supporting documentation and recalculated the totals.

    One exception was noted resulting in an overstatement of other operating revenue of $960 and an understatement of royalties, licensing, advertisements, and sponsorships of the same amount. Statement A was corrected.

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. We 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 this procedure.

2. We obtained and inspected the away game with the largest settlement report received by the University during the reporting period and agreed related expenses to the University's general ledger and the Statement and recalculated totals.

   One exception was noted which resulted in an overstatement of team travel of $100. Statement A was corrected.

3. We obtained and inspected a random sample of one contractual agreement pertaining to expenses recorded by the University from guaranteed contests during the reporting period. We compared and agreed related amounts expensed by the University during the reporting period to its general ledger and Statement and recalculated the totals.

   We found no exceptions as a result of this procedure.

4. 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 baseball, 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 selected to the related 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.

5. 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.

6. Using a list prepared by the University, we randomly selected two athletic employees with severance payments and agreed the severance payments to the related termination letter or employment contract and recalculated the totals.

   We found no exceptions as a result of this procedure.

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

   We found no exceptions as a result of this procedure.

8. We compared and agreed the University's team travel policies to existing University and NCAA-related policies.

   We found no exceptions as a result of this procedure.

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

10. 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 this procedure.

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 individual contributions that constitute 10 percent or more 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, were properly 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 the repayment schedules for all outstanding intercollegiate athletics debt maintained or incurred by the University and or affiliated and outside organizations during the reporting 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 that the repayment schedule is properly disclosed within the notes to the Statement.

   We found no exceptions as a result of this procedure.

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 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.

(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.

Exceptions were noted which resulted in net understatements of $86,391 in contributions, $56,630 in other operating expenses, $20,852 in team travel, $4,100 in memberships and dues, and $3,609 in athletic student aid. Statement A was corrected.

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 as follows:

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Revenues:						
Contributions	$157,208	$42,623	$58,286	$370,249	$384,627	$1,012,993
NCAA/Conference distributions including all tournament revenues			2,080	8,562	91,818	102,460
Total revenues	157,208	42,623	60,366	378,811	476,445	1,115,453
Expenses:						
Athletic student aid	1,663		322	3,684	1,864	7,533
Guarantees					5,167	5,167
Coaching salaries, benefits, and bonuses paid by the university and related entities	1,420	240	720	1,200	720	4,300
Recruiting	18,354	6,253	14,505	54,397	5,190	98,699
Team travel				57,911	5,166	63,077
Equipment, uniforms, and supplies	18,536	141	10,613	143,688	3,872	176,850
Game expenses	22,507	11,920	9,940	27,823	717	72,907
Fund raising, marketing, and promotion	16,035	2,126	2,126	3,619	126,500	150,406
Direct facilities, maintenance, and rental	10,710	1,112		35,271	10,334	57,427
Medical expenses and medical insurance	9,994	628	1,580	4,495	90,469	107,166
Memberships and dues	851		615	3,710	4,539	9,715
Other operating expense	57,138	20,203	19,945	43,013	221,907	362,206
Total expenses	157,208	42,623	60,366	378,811	476,445	1,115,453
EXCESS OF REVENUES OVER EXPENSES	NONE	NONE	NONE	NONE	NONE	NONE

Other than the corrections made as a result of the procedures numbers 1 and 10 under minimum agreed-upon procedures for revenues, and procedures number 2 under the minimum agreed-upon procedures for affiliated and outside organizations, we found no exceptions as a result of these procedures.

4. 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 this procedure.

5. 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, 2013. The audit report is dated October 23, 2013, and includes no material weaknesses on the outside organization's internal control. A significant deficiency was identified relating to a double reimbursement of a business expense by an employee. In addition, the financial statements of Cowboy Facilities, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2013. The audit report is dated August 22, 2013, and includes no material weaknesses or 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 Constitution 3.2.4.16 or on the effectiveness of the University athletic department's internal control over financial reporting for the year ended June 30, 2013. 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

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MSU NCAA 2013

UNAUDITED

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, 2013

REVENUES	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Operating Revenues:						
Ticket sales	$746,788	$65,134	$44,520	$78,927		$935,369
Student fees	99,596	6,197	80,660	295,109	178,476	660,038
Guarantees	540,000	300,000	28,000	16,000		884,000
Contributions	388,043	81,659	116,960	430,092	411,593	1,428,347
Direct institutional support	582,262	118,236	404,694	2,022,657	509,706	3,637,555
Indirect facilities and administrative support					194,642	194,642
NCAA/Conference distributions including all tournament revenues	74,715	80,378	167,925	311,338	255,390	889,746
Broadcast, television, radio and Internet rights					1,876	1,876
Program sales, concessions, novelty sales, and parking	144,844	200		11,698	7,892	164,634
Royalties, licensing, advertisements, and sponsorships				8,560	546,367	554,927
Endowment and investment income					10	10
Other	3,005			5,093	345,683	353,781
Total operating revenues	2,579,253	651,804	842,759	3,179,474	2,451,635	9,704,925
EXPENSES						
Operating Expenses:						
Athletics student aid	944,095	177,125	225,898	1,286,025	83,813	2,716,956
Guarantees	45,000	15,200	1,925	33,132	5,167	100,424
Coaching salaries, benefits, and bonuses paid by the university and related entities	602,433	223,436	218,958	657,921		1,702,748
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	75,773	12,769	29,605	76,936	672,025	867,108
Severance payments	5,577	50	919	15,918	25,039	47,503
Recruiting	57,043	22,889	47,338	97,975	5,189	230,434
Team travel	360,580	146,711	170,782	491,568	7,857	1,177,498
Equipment, uniforms, and supplies	92,203	24,024	33,398	224,991	3,872	378,488
Game expenses	62,608	73,987	34,763	108,800	31,866	312,024
Fund raising, marketing, and promotion	18,035	2,126	2,126	3,618	126,500	152,405
Direct facilities, maintenance, and rental	85,815	1,112		69,804	819,034	975,765
Indirect facilities and administrative support					194,642	194,642
Medical expenses and medical insurance	9,994	628	1,580	5,100	406,763	424,065
Membership and dues	21,387	2,505	1,747	6,545	41,710	73,894
Other operating expense	122,753	36,182	35,441	113,636	645,814	953,826
Total operating expenses	2,503,296	738,744	804,480	3,191,969	3,069,291	10,307,780
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	$75,957	($86,940)	$38,279	($12,495)	($617,656)	($602,855)

NOTES TO THE FINANCIAL STATEMENT
(UNAUDITED)

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. BONDS PAYABLE

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

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 the 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.

On August 6, 2009, the University entered into a trust indenture with The Bank of New York Mellon Trust Company to obtain financing of the renovation and expansion of the University's athletic field house. Financing of the project is through the issuance of $6,000,000 University Revenue Bonds, Series 2009. The bonds have a yearly fixed rate of interest at 3.93 percent and are due in varying installments through 2030.

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2013:

Issue	Date of Issue	Original Issue	Outstanding June 30, 2012	Issued (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Interest Outstanding June 30, 2013
Cowboy Facilities, Inc.:								
University Scoreboard Project Bonds - Series 2005	April 1, 2005	$1,900,000	$700,000	($220,000)	$480,000	2015	6.5%	$47,450
University Field House Project Bonds - Series 2009	August 6, 2009	6,000,000	5,585,000	(220,000)	5,365,000	2030	3.9%	1,986,124
Total		$7,900,000	$6,285,000	($440,000)	$5,845,000			$2,033,574

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2013:

Fiscal Year Ending	Principal	Interest	Total
2014	$455,000	$237,623	$692,623
2015	490,000	213,536	703,536
2016	245,000	187,756	432,756
2017	255,000	177,931	432,931
2018	265,000	167,713	432,713
2019-2023	1,495,000	669,967	2,164,967
2024-2028	1,810,000	346,233	2,156,233
2029-2030	830,000	32,815	862,815
Total	$5,845,000	$2,033,574	$7,878,574