

ATHLETIC DEPARTMENT  
NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT  
ISSUED JANUARY 30, 2013

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

January 14, 2013

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

**DR. RANDALL J. WEBB, PRESIDENT  
NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA**  
Natchitoches, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Northwestern State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2012, 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, 2012. University management is responsible for the Statement (unaudited) and related note (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 from a spreadsheet 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 10 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 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 obtained internal auditor reports issued during the period relating to the intercollegiate athletics program to identify any significant deficiencies noted.

The internal auditor issued a report dated July 31, 2012, disclosing inadequate controls over private sport camps (football, baseball, softball, and soccer) conducted at the University by coaches during Summer 2011.

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, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislations, completeness of the list of all known affiliated and outside organizations and other information we considered necessary for the year ended June 30, 2012.
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, 2011, and June 30, 2012, to identify variances of 20 percent or greater between individual revenue and expense accounts (line items) that are 10 percent or more of the total.

As a result of our procedure, we identified two revenue accounts "Guarantees" and "Indirect Facilities and Administrative Support" and one expense account "Indirect Facilities and Administrative Support" that had variances of 20 percent or greater between individual revenue and expense categories that are 10 percent or more of the total. We obtained and documented the University's explanations for these variances. All explanations were reasonable.

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, 2012, to identify any variances of 20 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 one revenue account "NCAA Conference Distribution" and one expense account "Team Travel" that had variances of 20 percent or greater that was 10 percent or more of the total. We obtained and documented the University's explanations for these variances. All explanations were reasonable.

#### **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 agreed the information on the schedule to the supporting game reconciliation for a random sample of one football, one basketball, and one baseball game. We also recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. Based on the University's methodology for allocating student fees to the intercollegiate athletics program, we compared and agreed student fees reported in the Statement to student enrollment and we were to obtain explanations from the University regarding any variances in excess of 10 percent. We also recalculated the totals.

We found no exceptions as a result of these procedures and identified no variances that exceed 10 percent.

3. We randomly selected a sample of two contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. We

compared and agreed each selection to the University's general ledger. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. 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.

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 randomly selected two agreements related to the University's participation in revenues from NCAA/Conference tournaments during the period. Based on the relevant terms and conditions of the agreements, we compared and agreed the 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 randomly selected two agreements related 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 agreements, we compared and agreed the 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 two parking receipts and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We randomly selected a sample of one operating revenue receipt 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 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 selected sample of two contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the period. We used the game settlement report 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 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 a random sample of two support staff/administrative personnel and all head coaches from football and men's and women's basketball. 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 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.

5. 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.

6. 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.

7. 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.

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 recalculated the totals.

We found no exceptions as a result of these procedures.

9. We randomly selected one equipment, uniforms, and supply expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

10. We randomly selected one game day expense transaction and agreed to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

11. We randomly selected 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.

12. We randomly selected one direct facilities, maintenance, and rental 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 one spirit group 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 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.

15. We randomly selected 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.

16. We randomly selected 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 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 to the University's general ledger. We ensured that the University's policies and procedures and schedule of changes are properly disclosed within the note 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 from University management a listing of all affiliated and outside organizations for the reporting period.
2. Northwestern Athletic Association, a part of the Northwestern State University Foundation (Foundation), Incorporated, was the only outside organization that hired an independent auditor to perform separate agreed-upon procedures solely to assist the University in complying with the requirements of the NCAA Constitution 3.2.4.16. We obtained the agreed-upon procedures report and agreed to the amounts reported in the University's statements.

We found no exceptions as a result of these procedures.

3. We obtained written representations from management of the University that the Northwestern Athletic Association was the only outside organization created for or on behalf of the athletic department.

4. We obtained from University management a summary schedule of revenue 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
<b>Revenues:</b>						
Contributions	\$231,667	\$113,001	\$18,445	\$168,853	\$498,795	\$1,030,761
NCAA/Conference distributions	21,675	3,315	3,060	36,975	19,975	85,000
Royalties, licensing, advertisements and sponsorships				12,500	565,249	577,749
Sports-camp revenues		67,110	10,540	2,020		79,670
Endowment and investment income					(17,928)	(17,928)
Other	354	1,179		553	4,401	6,487
Total revenues	<u>253,696</u>	<u>184,605</u>	<u>32,045</u>	<u>220,901</u>	<u>1,070,492</u>	<u>1,761,739</u>
<b>Expenses:</b>						
Athletics student aid	70,148	15,697	13,200	126,832	325	226,202
Guarantees		2,183		10,144		12,327
Coaching salaries, benefits, and bonuses	30,489	74,137	32,423	17,437		154,486
Support staff/administrative salaries, benefits, and bonuses	4,100				96,377	100,477
Recruiting	92,625	3,166	2,379	33,150	2,709	134,029
Team travel	1,156	70,135	1,030	67,669		139,990
Equipment, uniform, and supplies	42,431	18,352	7,218	95,731	5,092	168,824
Game expenses	2,348	655	625	2,293	1,645	7,566
Fund raising, marketing and promotion	85,153	33,728	13,645	20,801	176,150	329,477
Sports-camp expenses		43,293	9,446	1,793		54,532
Direct facilities, maintenance, and rental	11,239	155	1,972	27,719	3,323	44,408
Medical expenses and medical insurance	15,025	2,180	880	10,357	80	28,522
Memberships and dues	290			1,000	1,312	2,602
Other operating expenses	27,806	16,157	10,680	13,278	211,411	279,332
Total expenses	<u>382,810</u>	<u>279,838</u>	<u>93,498</u>	<u>428,204</u>	<u>498,424</u>	<u>1,682,774</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>(\$129,114)</u>	<u>(\$95,233)</u>	<u>(\$61,453)</u>	<u>(\$207,303)</u>	<u>\$572,068</u>	<u>\$78,965</u>

We compared the schedule to the amounts in the University Statement and found no exceptions as a result of these procedures.

5. We obtained written representations as to the fair presentation of the summary schedule.

We found no exceptions as a result of this procedure.

6. We obtained the independent auditor's report for all outside organizations to identify any significant deficiencies relating to the outside organization's 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 Foundation were audited by an independent certified public accounting firm for the year ended June 30, 2012. The audit report dated December 21, 2012, included no significant internal control deficiencies.

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 note 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, 2012. 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, CPA, CFE  
Legislative Auditor

LL:BAC:BC:THC:ch

NWSUNCAA 2012

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

**Statement of Revenues and Expenses  
For the Year Ended June 30, 2012**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
<b>REVENUES</b>						
Operating revenues:						
Ticket sales	\$199,196	\$23,641	\$19,778	\$19,313		\$261,928
Student fees	220,257	69,061	41,232	342,951	\$102,462	775,963
Guarantees	755,000	380,000	43,000	21,500		1,199,500
Contributions	231,667	113,001	18,445	168,853	498,795	1,030,761
Direct institutional support	1,401,915	421,864	467,273	1,945,281	1,036,465	5,272,798
Indirect facilities and administrative support	235,893	98,516	90,701	166,514	592,250	1,183,874
NCAA/Conference distributions, including						
all tournament revenues	21,675	7,896	3,060	39,274	533,042	604,947
Program sales, concessions, novelty sales, and parking	12,580					12,580
Royalties, licensing, advertisements, and sponsorships				12,500	636,181	648,681
Sports-camp revenues		67,110	10,540	2,200		79,850
Endowment and investment income					(17,928)	(17,928)
Other	4,934	1,179		3,678	15,725	25,516
Total operating revenues	<u>3,083,117</u>	<u>1,182,268</u>	<u>694,029</u>	<u>2,722,064</u>	<u>3,396,992</u>	<u>11,078,470</u>
<b>EXPENSES</b>						
Operating expenses:						
Athletics student aid	1,241,338	243,606	249,243	1,664,505	36,326	3,435,018
Guarantees	77,707	18,683	8,250	11,144		115,784
Coaching salaries, benefits, and bonuses paid by						
the university and related entities	580,213	294,770	251,822	723,452		1,850,257
Support staff/administrative salaries, benefits,						
and bonuses paid by the university and related entities	4,100				1,124,964	1,129,064
Recruiting	142,883	37,376	17,393	68,895	8,631	275,178
Team travel	102,946	162,205	65,179	425,845		756,175
Equipment, uniforms, and supplies	213,943	69,153	29,276	164,689	24,850	501,911
Game expenses	40,845	32,707	24,956	52,486	16,855	167,849
Fund raising, marketing, and promotion	113,864	37,537	17,536	26,469	226,172	421,578
Sports-camp expenses		43,293	9,446	1,793		54,532
Direct facilities, maintenance, and rental	18,278	18,710	12,040	90,563	313,311	452,902
Spirit groups		3,450				3,450
Indirect facilities and administrative support	235,893	98,516	90,701	166,514	592,250	1,183,874
Medical expenses and medical insurance	15,943	2,360	988	11,167	143,494	173,952
Memberships and dues	12,865	685	640	1,300	34,762	50,252
Other operating expense	32,087	35,873	24,252	14,177	340,131	446,520
Total operating expenses	<u>2,832,905</u>	<u>1,098,924</u>	<u>801,722</u>	<u>3,422,999</u>	<u>2,861,746</u>	<u>11,018,296</u>
<b>EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES</b>	<u>\$250,212</u>	<u>\$83,344</u>	<u>(\$107,693)</u>	<u>(\$700,935)</u>	<u>\$535,246</u>	<u>\$60,174</u>

## NOTE TO THE FINANCIAL STATEMENT

(UNAUDITED)

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### 1. 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, 2012, is as follows:

	Balance June 30, 2011	Prior Period Adjustments	Restated Balance June 30, 2011	Additions	Balance June 30, 2012
<b>Other capital assets</b>					
Land improvements	\$2,579,613		\$2,579,613		\$2,579,613
Less: accumulated depreciation	(1,708,703)	(\$84,535)	(1,793,238)	(\$75,170)	(1,868,408)
Total land improvements	870,910	(84,535)	786,375	(75,170)	711,205
<b>Buildings</b>	11,511,729		11,511,729	825,232	12,336,961
Less: accumulated depreciation	(8,428,789)		(8,428,789)	(312,164)	(8,740,953)
Total buildings	3,082,940	NONE	3,082,940	513,068	3,596,008
<b>Equipment</b>	375,642	11,485	387,127	50,304	437,431
Less: accumulated depreciation	(284,434)	(493)	(284,927)	(33,570)	(318,497)
Total equipment	91,208	10,992	102,200	16,734	118,934
Total other capital assets	\$4,045,058	(\$73,543)	\$3,971,515	\$454,632	\$4,426,147
<b>Capital asset summary:</b>					
Other capital assets, at cost	\$14,466,984	\$11,485	\$14,478,469	\$875,536	\$15,354,005
Total cost of capital assets	14,466,984	11,485	14,478,469	875,536	15,354,005
Less: accumulated depreciation	(10,421,926)	(85,028)	(10,506,954)	(420,904)	(10,927,858)
Capital assets, net	\$4,045,058	(\$73,543)	\$3,971,515	\$454,632	\$4,426,147