

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



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 30, 2013

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TABLE OF CONTENTS

	Page
Independent Accountant’s Report on the Application of Agreed-Upon Procedures	2
Statement	
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A	12
Notes to the Financial Statement (Unaudited)	13



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 10, 2013

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) 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 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 obtained internal auditor reports issued during the period relating to the intercollegiate athletics program to identify any significant deficiencies noted.

The internal auditor issued an investigative report dated October 15, 2012, identifying fraudulent refunds and undeposited ticket sales during the period August 21, 2011, through June 20, 2012, totaling \$50,891. This amount includes \$22,302 of refunds from 2012 athletic sporting events and \$28,589 of refunds from advance sales to 2013 athletic sporting events all given against University policy. There was a lack of monitoring by management. The employee involved was charged with theft, and all but a \$1,000 deductible was recovered by the University from insurance.

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 legislation, 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 were to agree 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 as result of fraudulent refunds and undeposited ticket sales, as previously mentioned, the certain revenue and expense amounts on the Statement did not agree to the University's general ledger by \$22,302.

3. We compared each major operating revenue and expense account for June 30, 2011, and June 30, 2012, to identify variances of 25 percent or greater between individual revenue and expense accounts 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

Away games and guarantees
Contributions

Expenses

Equipment, uniforms, and supplies

We obtained and documented the University's explanations for the variances. The 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 25 percent or greater in individual revenue and expense accounts 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

Athletics student aid
Equipment, uniforms, and supplies
Indirect facilities and administrative support

We obtained and documented the University's explanations for the variances. The 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 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 and recalculated the reconciliations for the games tested.

We found as result of fraudulent refunds, as previously mentioned, the proceeds from the sale of 21 tickets valued at \$210 were refunded after the University of Houston football game held on September 17, 2011, against University policy and the amount was not reported in the University's general ledger.

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 as result of fraudulent refunds, as previously mentioned, ticket sales valued at \$4,300 from the Poinsettia Bowl game held on December 21, 2012, were refunded against University policy and the amount was not reported in the University's general ledger.

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 above 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 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 this procedure.

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 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 for each selection.
- (c) We compared and agreed related W-2s 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 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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 as result of undeposited ticket sales, as previously mentioned, \$600 of ticket sales from the WAC Basketball Tournament held in March 2012 was not reported in the University's general ledger to offset the tournament expenses incurred by the University.

**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.

**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 (unaudited) for, or on behalf of, intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University included with the agreed-upon procedures report as follows:

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
Revenues:						
Contributions	\$793,512	\$114,564	\$53,617	\$196,342	\$1,307,260	\$2,465,295
Expenses:						
Coaching salaries, benefits, and bonuses paid by the university and related entities	591,341	79,800	35,000	40,230		746,371
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities					135,916	135,916
Recruiting	6,895	1,160	1,153	3,389		12,597
Team travel	77,226	2,102		4,434	1,295	85,057
Equipment, uniforms, and supplies	118,050	31,426	17,464	148,289	1,145,857	1,461,086
Fund raising, marketing, and promotion		76			24,192	24,268
Total expenses	<u>793,512</u>	<u>114,564</u>	<u>53,617</u>	<u>196,342</u>	<u>1,307,260</u>	<u>2,465,295</u>
EXCESS OF REVENUES OVER EXPENSES	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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

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

We found no exceptions as a result of this procedure.

- 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, 2012 and 2011. The audit report is dated August 8, 2012, 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 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,

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

ASM:BAC:BDC:THC:dl

LTU NCAA 2012

**ATHLETIC DEPARTMENT
LOUISIANA TECH 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
REVENUES						
Operating revenues:						
Ticket sales	\$724,517	\$81,416	\$104,089	\$43,900		\$953,922
Guarantees	1,725,000	155,000	5,000	16,000		1,901,000
Contributions	820,474	120,093	67,965	200,359	\$2,399,480	3,608,371
Direct institutional support	2,148,489	1,010,898	990,517	3,362,051	140,753	7,652,708
Indirect facilities and administrative support					1,962,823	1,962,823
NCAA/Conference distributions including all tournament revenues	495,916	116,225	103,387	322,132	805,028	1,842,688
Program sales, concessions, novelty sales, and parking	53,387	3,663	3,797	2,562	115,988	179,397
Royalties, licensing, advertisements, and sponsorships					614,492	614,492
Other				400	18,396	18,796
Total operating revenues	<u>5,967,783</u>	<u>1,487,295</u>	<u>1,274,755</u>	<u>3,947,404</u>	<u>6,056,960</u>	<u>18,734,197</u>
EXPENSES						
Operating expenses:						
Athletics student aid	1,507,706	273,630	262,020	1,621,168	290,330	3,954,854
Guarantees	470,000	12,500	12,850	3,080		498,430
Coaching salaries, benefits, and bonuses paid by the university or related entities	1,923,445	633,476	471,283	838,598		3,866,802
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	193,513	90,068	88,391	3,770	1,247,780	1,623,522
Recruiting	159,030	51,580	31,387	64,101	5,510	311,608
Team travel	898,444	215,676	243,060	875,234	1,339	2,233,753
Equipment, uniforms, and supplies	502,903	62,455	30,033	351,369	1,289,998	2,236,758
Game expenses	73,040	85,050	71,177	75,076	81,375	385,718
Fund raising, marketing, and promotion	42,046	3,090	1,361	7,562	319,473	373,532
Direct facilities, maintenance, and rental	56,020	14,653	14,922	8,378	350,492	444,465
Indirect facilities and administrative support					1,962,823	1,962,823
Medical expenses and medical insurance					219,745	219,745
Memberships and dues	1,360	1,070	600	2,006	411,596	416,632
Other operating expenses	63,484	20,286	16,250	13,773	45,141	158,934
Total operating expenses	<u>5,890,991</u>	<u>1,463,534</u>	<u>1,243,334</u>	<u>3,864,115</u>	<u>6,225,602</u>	<u>18,687,576</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$76,792</u>	<u>\$23,761</u>	<u>\$31,421</u>	<u>\$83,289</u>	<u>(\$168,642)</u>	<u>\$46,621</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 \$2,465,295.

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 and software. 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	Additions	Retirements	Balance June 30, 2012
Capital Assets:				
Land improvements	\$857,094			\$857,094
Less - accumulated depreciation	(214,274)	(\$42,855)		(257,129)
Total land improvements	<u>642,820</u>	<u>(42,855)</u>	NONE	<u>599,965</u>
Buildings	27,845,412			27,845,412
Less - accumulated depreciation	(17,507,982)	(623,024)		(18,131,006)
Total buildings	<u>10,337,430</u>	<u>(623,024)</u>	NONE	<u>9,714,406</u>
Equipment	473,497	12,400	(\$46,250)	439,647
Less - accumulated depreciation	(404,454)	(23,865)	42,380	(385,939)
Total equipment	<u>69,043</u>	<u>(11,465)</u>	<u>(3,870)</u>	<u>53,708</u>
Total capital assets	<u>\$11,049,293</u>	<u>(\$677,344)</u>	<u>(\$3,870)</u>	<u>\$10,368,079</u>
Capital Asset Summary:				
Capital assets, at cost	\$29,176,003	\$12,400	(\$46,250)	\$29,142,153
Less - accumulated depreciation	(18,126,710)	(689,744)	42,380	(18,774,074)
Capital assets, net	<u>\$11,049,293</u>	<u>(\$677,344)</u>	<u>(\$3,870)</u>	<u>\$10,368,079</u>