

ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 23, 2011

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

January 11, 2011

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

**DR. STEPHEN T. HULBERT, PRESIDENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Thibodaux, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Nicholls State University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Nicholls State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1 for the year ended June 30, 2010, and to assist you in your evaluation of the effectiveness of the Nicholls State University Athletic Department's internal control over financial reporting as of June 30, 2010. University management is responsible for the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of 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 associated 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 that 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 the 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 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 and observed the 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 inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and we reviewed all athletics-related internal audit reports.

We identified no significant deficiencies as a result of these procedures.

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 these 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 regulations, completeness of the list of all known affiliated and outside organizations and other information as we considered necessary for the year ended June 30, 2010.
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/or the university's general ledger.

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

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

As a result of our procedures, we identified variances of 20 percent or greater in the following revenue and expense accounts that are 5 percent or more of the total:

Revenues

Game guarantees
NCAA receipts

Expenses

Operating services

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

As a result of our procedures, we identified variances of 20 percent or greater in the following individual revenue and expense accounts that are 5 percent or more of the total:

Revenues

NCAA receipts
In-kind contributions

Expenses

Salaries
Travel
Supplies
Other charges

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Using a schedule prepared by the university, we 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 reconciliation for a random sample of one football, one basketball, and one baseball game. We 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 obtained explanations from the university regarding any variances in excess of 5 percent.

We found no exceptions as a result of these procedures.

3. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the contractual settlement. We recalculated the settlement report for the game tested.

We found no exceptions as a result of these procedures.

4. We 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) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting period.

We found no exceptions as a result of these procedures.

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

The university did not have any revenues that included direct state or other governmental support during the period.

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

We found no exceptions as a result of these procedures.

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

We found no exceptions as a result of these procedures.

8. Based on the relevant terms and conditions of one randomly selected agreement related to the university's participation in revenues from NCAA/Conference tournaments during the period, we compared and agreed the related revenues to the university's general ledger and/or the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. Based on the relevant terms and conditions of all agreements related to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period, we compared and agreed related revenues to the general ledger and/or the Statement.

The university did not earn any revenue from television, radio, and Internet rights during the period.

10. Based on the relevant terms and conditions of all agreements related to the university's participation in revenues from royalties, licensing, advertisements, and sponsorships during the period, we compared and agreed related revenues to the general ledger and/or the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

11. We obtained a schedule listing all sports-camp contracts between the university and the person conducting university sports camps or clinics during the period, the total amount of revenue generated for each camp, the charge per participant, and the number of participants for each camp.

We agreed the cash receipt to the Statement based on the university's methodology for recording revenues for the camps.

We found no exceptions as a result of these procedures.

12. We inquired with management regarding endowment agreements and investment income received for the period.

The university did not have any endowment agreements or receive revenues from investment income in support of the athletic department during the period.

13. We randomly selected one program sales, concessions, novelty sales, and parking receipts revenues 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 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 selected a random sample of four students from the listing of university student aid recipients, 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 the away game with the largest settlement received by the university during the reporting period and agreed related expenses to the contractual agreement and the university's general ledger and/or Statement.

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 period and examined the contracts for a random sample of three 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. We obtained from management a list of coaches and support staff/administrative personnel paid by third parties and examined the contracts for a random sample of three coaches and three support staff/administrative personnel. The following procedures were performed:
 - a. We compared and agreed the financial terms and conditions of each coach selected to the related coaching other compensation and benefits recorded by the university 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 third parties and 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. Using a list prepared by the university, we randomly selected one athletic employee with severance payment and agreed the severance pay to the related termination letter or employment contract. We recalculated the total.

We found no exceptions as a result of this procedure.

6. 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.

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

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

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

9. 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.

10. We compared and agreed indirect facilities and administrative support reported by the university in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the university's general ledger.

We found no exceptions as a result of these procedures.

11. We inquired as to whether the university had any spirit group expenses during the period.

The university did not have any expenses related to spirit group expenses during the period.

12. We randomly selected a sample of two direct facilities, maintenance, and rental expenses 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 operating expense 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 NOTES AND DISCLOSURES**

1. We obtained from university management any contributions of money, 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 constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period and ensured the source(s) of funds, goods, and services, as well as the value associated with these items, were properly disclosed within the notes to the Statement.

None of the contributions exceeded 10 percent of the total, except those received from the Nicholls State University Foundation.

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

We found no exceptions as a result of these procedures.

3. We obtained from university management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the university during the period. We recalculated annual maturities, agreed annual maturities to supporting documentation and to the university's general ledger and to affiliated and outside organization financial statements and ensured the repayment schedule was properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures.

**MINIMUM AGREED-UPON PROCEDURES FOR
AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period.
2. We obtained from management statements for all affiliated and outside organizations and performed the following:
 - a. We agreed the amounts reported in the statements to the university's general ledger or, alternatively, confirmed revenue and expenses directly with a responsible official of the organization.
 - b. We reconciled the cash disbursement made by the organization for or on behalf of the university's intercollegiate athletic programs or employees to the revenues reported on the university's Statement.
 - c. We reconciled the direct payments of outside organizations to the university with the revenue reported on the university's Statement.

We found no exceptions as a result of these procedures.

3. We obtained written representations from management of the university that the listing of all known affiliated and outside organizations provided to us by the university are the only outside organizations created for or on behalf of the athletic department.
4. We obtained from management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the university to be included with the agreed-upon procedures report.

Revenues

Game guarantees	\$155,000
Contributions	484,960
Other	<u>6,577</u>
Total revenues	<u>646,537</u>

Expenses

Support staff/administrative salaries, benefits, and bonuses paid by university and related entities	225
Support staff/administrative other compensation and benefits paid by a third party	3,900
Recruiting	6,066
Team travel	19,214
Equipment, uniforms, and supplies	96,522
Game expenses	2,081
Fund raising, marketing, and promotion	145,046
Direct facilities and administrative support	110,353
Medical expenses and medical insurance	1,326
Memberships and/or dues	1,880
Other	<u>92,185</u>
Total expenses	<u>478,798</u>

Excess of Revenues Over Expenses\$167,739

5. We obtained written representations as to the fair presentation of the summary schedule and agreed the amounts reported to the university's general ledger.

We found no exceptions as a result of these procedures.

6. For all outside organizations that had an independent audit, we obtained the independent auditor's report, identified any significant deficiencies relating to the outside organization's internal controls, made inquiries of management, and documented any corrective action taken in response to the significant deficiencies.

The financial statements of the Nicholls State University Foundation, Incorporated, are being audited by an independent certified public accounting firm for the year ended June 30, 2010. The audit report has not been issued as of January 11, 2011.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement and related notes of the university's athletic department or on its compliance with NCAA Bylaw 3.2.4.16.1 or on the effectiveness of the university athletic department's internal control over financial reporting for the year ended June 30, 2010. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the president of the university and is not intended to be, and should not be, used by anyone other than the president. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

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

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NSUNCAA 2010

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

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

	<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						
Operating revenues:						
Ticket sales	\$112,421	\$25,721	\$8,633	\$24,783		\$171,558
Student fees					\$503,990	503,990
Guarantees	420,000	295,000	15,000	5,000		735,000
Contributions	229,264	5,088	69,145	133,540	520,317	957,354
Compensation and benefits provided by third party	225				3,900	4,125
Direct institutional support	808,919	201,903	241,298	1,846,571	139,020	3,237,711
Indirect facilities and administrative support					316,853	316,853
NCAA/Conference distributions including all tournament revenues	5,802	5,182		3,536	406,427	420,947
Program sales, concessions, novelty sales, and parking	10,532	937	523	2,798		14,790
Royalties, licensing, advertisements, and sponsorships					1,500	1,500
Sports camp revenues			310			310
Other	12,483			2,981	11,027	26,491
Total operating revenues	<u>1,599,646</u>	<u>533,831</u>	<u>334,909</u>	<u>2,019,209</u>	<u>1,903,034</u>	<u>6,390,629</u>
EXPENSES						
Operating expenses:						
Athletics student aid	668,340	158,790	125,775	820,898	24,747	1,798,550
Guarantees	60,000			11,500		71,500
Coaching salaries, benefits, and bonuses paid by the university and related entities	112,244	158,461	82,986	796,546		1,150,237
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	55,286	20	718	6,237	750,509	812,770
Support staff/administrative other compensation and benefits paid by a third party	225				3,900	4,125
Severance payments	30,550		1,419	1,102	8,870	41,941
Recruiting	21,289	8,502	13,240	20,371	530	63,932
Team travel	180,482	129,609	44,644	268,678		623,413
Equipment, uniforms, and supplies	77,768	24,817	26,748	188,810	56,339	374,482
Game expenses	30,909	22,500	22,050	44,647	9,923	130,029
Fund raising, marketing, and promotion			2,642	123,535		126,177
Direct facilities, maintenance, and rental	1,214			44,400	247,174	292,788
Indirect facilities and administrative support					316,853	316,853
Medical expenses and medical insurance					42,891	42,891
Memberships and dues		775	145	2,785	1,240	4,945
Other operating expenses	37,049	9,287	8,310	29,589	310,105	394,340
Total operating expenses	<u>1,275,356</u>	<u>512,761</u>	<u>328,677</u>	<u>2,359,098</u>	<u>1,773,081</u>	<u>6,248,973</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$324,290</u>	<u>\$21,070</u>	<u>\$6,232</u>	<u>(\$339,889)</u>	<u>\$129,953</u>	<u>\$141,656</u>

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1. CONTRIBUTIONS

No individuals or outside organizations, other than the Nicholls State University Foundation, contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10 percent of the total contributions included in Statement A.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the university follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets.

Capital asset activity for the athletic department for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Land improvements	\$761,385			\$761,385
Less - accumulated depreciation	(218,761)	(\$38,069)		(256,830)
Total land improvements	<u>542,624</u>	<u>(38,069)</u>	NONE	<u>504,555</u>
Buildings	2,778,927			2,778,927
Less - accumulated depreciation	(2,421,382)	(69,473)		(2,490,855)
Total buildings	<u>357,545</u>	<u>(69,473)</u>	NONE	<u>288,072</u>
Equipment	1,029,690	39,478	(\$5,700)	1,063,468
Less - accumulated depreciation	(642,964)	(61,245)	5,700	(698,509)
Total equipment	<u>386,726</u>	<u>(21,767)</u>	NONE	<u>364,959</u>
Total other capital assets	<u>\$1,286,895</u>	<u>(\$129,309)</u>	NONE	<u>\$1,157,586</u>
Capital asset summary:				
Capital assets at cost	\$4,570,002	\$39,478	(\$5,700)	\$4,603,780
Less - accumulated depreciation	<u>(3,283,107)</u>	<u>(168,787)</u>	5,700	<u>(3,446,194)</u>
Capital assets, net	<u>\$1,286,895</u>	<u>(\$129,309)</u>	NONE	<u>\$1,157,586</u>

3. NOTES PAYABLE

The university has the following debt associated with its athletic department’s capital assets:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued (Redeemed)</u>	<u>Outstanding June 30, 2010</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Interest Payments June 30, 2010</u>
Bus	September 11, 2007	<u>\$219,016</u>	<u>\$146,372</u>	<u>(\$43,403)</u>	<u>\$102,969</u>	2013	3.25%	<u>\$3,955</u>

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$44,836	\$2,686	\$47,522
2012	46,317	1,205	47,522
2013	11,816	64	11,880
2014	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Total	<u>\$102,969</u>	<u>\$3,955</u>	<u>\$106,924</u>

Unaudited