

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



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 6, 2019

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

January 11, 2019

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

DR. LESLIE K. GUICE, 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 the Louisiana Tech University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. University management is responsible for the accuracy of the Statement (unaudited) and the related notes (unaudited) and the 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.

Procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

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 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 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 largest athletic department cash disbursement transaction and followed it 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 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 performed procedures to determine 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 legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2018.
2. We verified the mathematical accuracy of the amounts on the Statement and compared 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 these procedures.

3. We compared and agreed a sample of one operating revenue receipt and a sample of one expense disbursement obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account over 10% of total revenues or expenses for June 30, 2018, to June 30, 2017, amounts and budget estimates, to identify variations greater than 10%.

We reported the analysis in Appendix A to this report.

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. Using a schedule prepared by the University, we compared the value of the tickets sold, complimentary 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. We were to compare the value of tickets to related attendance figures; however, attendance figures are not maintained by the University. We agreed the information on the schedule to the supporting game reconciliations for a random sample of one football and two basketball games. We also recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We compared indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We selected a sample of one contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed selection to the University's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and reviewed supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) that constituted 10% or more in the aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We compared the NCAA distribution amounts reported as revenue and expense during the reporting period to the general ledger details and other corroborative supporting documentation and recalculated the totals.

We found no exceptions as a result of these procedures.

**MINIMUM AGREED-UPON PROCEDURES
FOR EXPENSES**

1. We selected a sample of 20% of total student athletes from the listing of University student aid recipients during the reporting period. We obtained individual student-account detail for each selection and compared total aid in the University's student system to the University report that ties directly to the NCAA Membership Financial Reporting System. We performed a check of each student selected to ensure their information was reported accurately in the NCAA's Membership Financial Reporting System using NCAA specified criteria. We recalculated the totals for each sport and overall.

We found no exceptions as a result of these procedures.

2. 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 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 selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
 - (b) We obtained and inspected payroll summary registers for the reporting period for each selection.
 - (c) We compared and agreed related payroll summary registers 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 compared and agreed the totals recorded to the employment contracts executed for the sample selected.
 - (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We compared and agreed the University's team travel policies to existing University and NCAA related policies. We also obtained the general ledger detail and compared to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained general ledger detail for the purchase of equipment, uniforms, and supplies and compared the total expenses reported. We selected a sample of one

transaction and validated its existence and the accuracy of its recording. We recalculated the totals.

We found no exceptions as a result of these procedures

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

1. We obtained the repayment schedule and general ledger detail for all outstanding intercollegiate athletics debt during the reporting period. We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We agreed the total annual maturities and total outstanding athletic debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

2. We agreed the total outstanding University debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

3. We obtained the schedule of all athletics dedicated endowments maintained by affiliated organizations. We agreed the fair market value in the schedule to the supporting documentation and the Louisiana Tech Foundation, Inc.'s (Foundation) audited financial statements.

We found no exceptions as a result of these procedures.

4. We agreed the total fair market value of University endowments to supporting documentation, the University's general ledger, and/or the Foundation's audited financial statements.

We found no exceptions as a result of these procedures.

5. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained and compared the general ledger detail to the total expenses reported. We selected a sample of one transaction and validated the existence of the transaction and the accuracy of its recording. We also recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from University management a list of contributions of monies, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions

by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensured the source(s) of the funds, goods, and services, as well as the value associated with these items, were properly disclosed in the notes to the Statement.

We found no exceptions as a result of these procedures (see note 1 to the Statement).

2. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We determined that intercollegiate athletics debt exists and we ensured that the repayment schedule is properly disclosed within the notes to the statement.

We found no exceptions as a result of these procedures (see note 3 to the Statement).

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. We also obtained written representations from management that the Foundation is the only outside organization created for or on behalf of the athletic department.
2. We obtained from management of the University statements for all affiliated and outside organizations and confirmed revenues and expenses directly with a responsible official of the organization.

We found no exceptions as a result of these procedures.

3. We obtained from University 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	\$1,547,856	\$277,375	\$78,514	\$153,002	\$669,859	\$2,726,606
Expenses						
Coaching salaries, benefits, and bonuses paid by the University and related entities	545,000	250,000	60,453	82,983		938,436
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					113,266	113,266
Recruiting	233	1,719	(477)	2,298		3,773
Team travel	87,111	8,777		1,481	4,730	102,099
Sports equipment, uniform, and supplies	660,105	5,442	15,691	59,610	322,445	1,063,293
Fundraising, marketing, and promotion	655	4,430				5,085
Other operating expenses	209,908	7,007	2,847	6,630	220,418	446,810
Bowl expenses	11,844				9,000	20,844
Bowl expenses- coaching bonus	33,000					33,000
Total expenses	<u>1,547,856</u>	<u>277,375</u>	<u>78,514</u>	<u>153,002</u>	<u>669,859</u>	<u>2,726,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES						
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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

We found no exceptions as a result of this procedure.

- 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. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The Foundation's statements were audited by an independent certified public accountant for the year ended June 30, 2018, and 2017. The audit report dated November 10, 2018, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

- We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's squad lists supporting equivalency calculations. We were to inquire about any discrepancies and report the justification.

We found no discrepancies as a result of these procedures.

- We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting period and validated that the institution's countable sports reported meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and participants in each contest that is counted toward meeting

the minimum contest requirement. We ensured the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no discrepancies as a result of these procedures.

3. We agreed the total number of student athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions as a result of these procedures.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.15 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2018. 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

ASM:BAC:BH:EFS:ch

LTUNCAA2018

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$1,492,602	\$209,211	\$106,330	\$95,442		\$1,903,585
Direct institutional support	2,588,086	1,287,662	1,206,687	4,001,617	\$88,637	9,172,689
Indirect institutional support					1,623,962	1,623,962
Indirect institutional support - athletic facilities debt service, lease, and rental fees					604,528	604,528
Guarantees	1,000,000	195,000	25,000	14,000		1,234,000
Contributions	1,700,026	322,301	150,110	266,594	3,385,054	5,824,085
In-kind	59,048		10,458	10,850	14,700	95,056
Media rights	53,503	27,262	22,207	66,935	5,482	175,389
NCAA distributions	382,377	194,834	158,711	478,385		1,214,307
Conference distributions	288,668	150,831	124,101	361,688		925,288
Program, novelty, parking, and concession sales	72,517	23,035	18,764	56,558		170,874
Royalties, licensing, advertisement, and sponsorships					220,000	220,000
Athletics restricted endowment and investments income	10,895	2,209	3,869	13,847		30,820
Other operating revenue	513				2,646	3,159
Bowl revenues	475,144					475,144
Total operating revenues	<u>8,123,379</u>	<u>2,412,345</u>	<u>1,826,237</u>	<u>5,365,916</u>	<u>5,945,009</u>	<u>23,672,886</u>
EXPENSES						
Operating expenses:						
Athletic student aid	2,171,010	423,533	435,595	2,434,355	233,231	5,697,724
Guarantees	425,000	205,538	51,038	21,852		703,428
Coaching salaries, benefits, and bonuses paid by the University and related entities	2,286,061	943,262	661,407	1,267,886		5,158,616
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	263,655	166,417	157,979	715	1,778,459	2,367,225
Recruiting	157,182	79,561	73,054	114,552	6,331	430,680
Team travel	566,962	288,830	184,398	880,163	4,730	1,925,083
Sports equipment, uniforms, and supplies	966,973	35,525	54,324	227,916	478,894	1,763,632
Game expenses	149,280	142,786	95,435	95,010	176,423	658,934
Fundraising, marketing, and promotion	8,271	5,197	3,397	13,690	264,451	295,006
Athletic facilities debt service, leases, and rental fees					604,528	604,528
Direct overhead and administrative expenses	126,063	18,255	23,841	27,240	336,791	532,190
Indirect institutional support					1,623,962	1,623,962
Medical expenses and insurance					461,076	461,076
Memberships and dues	2,465	385	725	3,138	359,544	366,257
Student-athlete meals (non-travel)	196,369	15,799	14,604	35,281		262,053
Other operating expenses	233,664	11,681	9,808	19,593	397,577	672,323
Bowl expenses	273,903				9,000	282,903
Bowl expenses - coaching bonus	128,360					128,360
Total operating expenses	<u>7,955,218</u>	<u>2,336,769</u>	<u>1,765,605</u>	<u>5,141,391</u>	<u>6,734,997</u>	<u>23,933,980</u>
EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES	<u>\$168,161</u>	<u>\$75,576</u>	<u>\$60,632</u>	<u>\$224,525</u>	<u>(\$789,988)</u>	<u>(\$261,094)</u>

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

The University's Athletic Department directly received individual contributions of monies from the Louisiana Tech University Foundation, Inc., totaling \$2,658,614 that exceeded 10% 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.

3. LONG-TERM LIABILITIES

The following is a detailed summary of bonds payable for the athletic department for the year ended June 30, 2018:

Issue	Date of Issue	Original Issue	Principal Outstanding at 6/30/2017	Issued/ (Retired)	Principal Outstanding at 6/30/2018	Maturities	Interest Rates	Interest Outstanding at 6/30/2018
2014	4/10/2014	\$9,000,000	\$8,360,000	(\$230,000)	\$8,130,000	2039	4.48%	\$4,584,832
Total		<u>\$9,000,000</u>	<u>\$8,360,000</u>	<u>\$230,000</u>	<u>\$8,130,000</u>			<u>\$4,584,832</u>

In April 2014, Innovative Student Facilities, Inc., a blended component unit of the University, issued bonds of \$9,000,000 for the construction of an athletic and student facility located at the south end zone of Joe Aillet football stadium.

The following is the amortization schedule for the outstanding bonds payable for the athletic department as of June 30, 2018:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$240,000	\$364,224	\$604,224
2020	250,000	353,472	603,472
2021	265,000	342,272	607,272
2022	275,000	330,400	605,400
2023	285,000	318,080	603,080
2024-2028	1,645,000	1,385,664	3,030,664
2029-2033	2,045,000	982,688	3,027,688
2034-2038	2,545,000	482,048	3,027,048
2039	580,000	25,984	605,984
Total	<u>\$8,130,000</u>	<u>\$4,584,832</u>	<u>\$12,714,832</u>

MAJOR REVENUE AND EXPENSE ANALYSIS

(UNAUDITED)

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

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

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2018**

Accounts Exceeding 10% Threshold and Variation Greater Than 10%	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.					
Operating Expenses per Statement A					
Athletic student aid	\$5,697,724	\$6,663,599	(\$965,875)	(14.5%)	1
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$5,158,616	\$4,675,036	\$483,580	10.3%	2

NOTES:

1. The University decreased its non-resident fee rate by approximately 26% as of the Summer 2017 quarter, as authorized by Act 455 of the 2016 Regular Session of the Louisiana Legislature and approved by the University of Louisiana System Board of Supervisors. The decrease in the non-resident fee was netted with an approximately 5.8% increase in other tuition and fees, such as a \$136 increase in the University support fee and a \$5 per credit hour increase (\$40 increase for full-time students) in the energy surcharge fee effective as of the Fall 2017 quarter.
2. The head football coach received a new contract increasing his salary by \$220,000 paid by the Foundation. Other head coaches' salaries increased by \$39,085, and assistant coaches salaries increased by \$95,290. Also, related employee benefits increased by \$109,816 due to the increase in salaries and fringe benefit rates from fiscal year 2017 to 2018.

Budget	Fiscal Year 2018 - Actual	Fiscal Year 2018 - Budget	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
Direct institutional support	\$9,172,689	\$7,192,640	\$1,980,049	28%	1
Contributions	\$5,824,085	\$3,735,688	\$2,088,397	56%	2
Operating Expenses per Statement A					
Athletic student aid	\$5,697,724	\$3,871,685	(\$1,826,039)	(47%)	3

NOTES:

1. The University did not include out-of-state waivers or gender equity waivers in its budget, which totaled approximately \$1.9 million in fiscal year (FY) 2018.
2. The University based its FY 18 budget on FY 17 contribution revenues received directly by the Athletic Department from the Foundation, which varies year to year. The University did not include approximately \$2 million of contributions made on behalf of the Athletic Department by the Foundation in its budget.
3. As previously stated above, the University did not include out-of-state and gender equity waivers in its budget.

The budget analysis is presented on University data only.