



**UNIVERSITY OF UTAH**

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Intercollegiate Athletic Department  
Agreed-Upon Procedures Report  
For the Year Ended June 30, 2011

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Report No. 11-42

*Keeping Utah  
Financially Strong*

AUSTON G. JOHNSON, CPA  
UTAH STATE AUDITOR



**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

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**INDEPENDENT STATE AUDITOR'S REPORT**

**Report No. 11-42**

To the Board of Trustees, Audit Committee  
and  
Dr. Lorris Betz, Interim President  
University of Utah

We have performed the procedures enumerated below, which were agreed to by the University of Utah's (University) management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's Intercollegiate Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2011. The University's management is responsible for the Statement and the Statement's compliance with those 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 those parties specified in this report. 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 and the associated findings are as follows:

**INTERNAL CONTROL – AGREED-UPON PROCEDURES**

1. We reviewed the general control environment for the Intercollegiate Athletic Department (Athletic Department). As part of this review, we looked at the organization of the Athletic Department. We made certain inquiries of management regarding control consciousness, competence of personnel, adequate safeguarding and control of records and assets, the extent of the Internal Audit Department's involvement with athletics, and the controls over interactions with the Information Technology Department. We also tested the specific elements of the control environment and accounting systems that are unique to the Athletic Department that have not been addressed in connection with the audit of the University's financial statements. This included testing samples of transactions for compliance with internal control policies for the Ticket Office cash receipts, Business Office cash receipts, Crimson Club/Development Office cash receipts, payroll transactions, and non-payroll transactions. Our sample sizes were limited to 25 items or 10% of the population, whichever was smaller. See the attached finding and recommendation on page 10 for weaknesses identified during this review.

During our review, we noted that the Internal Audit Department performed an audit of the Athletic Department, issuing a report on December 14, 2010, and a review of concession controls in October 2011. Both the audit and the recent review identified control weaknesses related to inventory and cash controls for concessions at Rice Eccles Stadium. Weaknesses identified in the Internal Audit Department's reports are not included in this report.

2. We reviewed and tested the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Athletic Department. The only booster group activity is the Crimson Club, which is included under the accounting control of the University.

#### STATEMENT OF REVENUES AND EXPENSES – AGREED-UPON PROCEDURES

3. We obtained the Athletic Department's Statement of Revenues and Expenses (the Statement) for the year ended June 30, 2011, as prepared by management and as presented in Exhibit I. We agreed the revenues and expenses on the Statement to the University's general ledger and supporting schedules, as applicable. We ensured that the amounts were reported in accordance with the NCAA Guidelines and generally accepted accounting principles. We found no exceptions as a result of these procedures other than those described in the Notes to the Statement.
4. We compared and agreed samples of revenue receipts and expenses to adequate supporting documentation. We found no exceptions as a result of the comparisons.
5. We compared each major revenue and expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variances (greater than \$90,000 and 33%). There were no significant variances which were unexplained.
6. We performed the following procedures related to the Athletic Department's revenues and recalculated the totals for each category:
  - a. *Ticket Sales*
    - We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the Statement and the related attendance figures for Football, Women's Basketball, and Gymnastics.
  - b. *Contributions*
    - We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variances (greater than \$50,000 and 15%).
    - There were no contributions of moneys, goods, or services received directly by the Athletic Department from any affiliated or outside organization, agency, or group of individuals (two or more) that constitute 10% or more of all contributions received for intercollegiate athletics.

- c. *Royalties, Licensing, Advertisements, and Sponsorships*
- We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships to gain an understanding of the relevant terms and conditions.
  - We compared and agreed the related revenues to the University's general ledger and to the Statement.
- d. *Sports Camps Revenues*
- We inspected sports camp contracts between the University and persons conducting University sports camps or clinics to obtain an understanding of the University's methodology for recording revenues from sports camps. Currently, the University does not compare camp requirements identified in the coaches' contracts to the camp's revenues and expenses. We recommend that the University review the coaches' contracts and the University's share of camp expenses to ensure compliance with the contracts.
  - We obtained schedules of camp participants for the football and volleyball camps.
  - As described in Note 1 to the Statement, the University contracts with coaches to conduct sports camps, and the financial activity related to the camps, with the exception of University-covered insurance expenses, is not included in the Statement. Therefore, we did not select a sample of individual camp participant cash receipts from the schedule of sports camps participants and agree each selection to the University's general ledger or the Statement. However, we compared the camp provisions in the coaches' contracts and the University's share of camp expenses to ensure compliance with the contracts.

We found no exceptions, other than those noted above, as a result of these procedures.

7. We performed the following procedures related to the Athletic Department expenses, and recalculated the totals for each category:
- a. *Athletic Student Aid*
- We selected a sample of 25 students from the listing of institutional student aid recipients.
  - We obtained individual student account detail for each selection and compared total aid from the related aid award letter to the student's account.
- b. *Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities*
- We obtained and inspected a listing of coaches employed by the University and related entities.
  - We selected a sample of 3 coaches' contracts that included football and men's and women's basketball.
  - We compared and agreed the financial terms and conditions of each contract selected to the related coaching salary, benefits, and bonuses recorded by the University and related entities in the Statement.
  - We obtained and inspected W-2s, 1099s, etc. for each selection, when applicable.

- We compared and agreed the W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities' expenses as recorded by the University in the Statement.
- c. *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities*
- We selected a sample of 5% support staff/administrative personnel employed by the University and related entities.
  - We obtained and inspected W-2s, 1099s, etc. for each selection.
  - We compared and agreed related W-2s, 1099s, etc. to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities' expenses as recorded by the University in the Statement.
- d. *Recruiting*
- We obtained and documented an understanding of the University's recruiting expense policies and compared and agreed them to existing institutional and NCAA-related policies.
- e. *Team Travel*
- We obtained and documented an understanding of the University's team travel policies and compared and agreed them to existing institutional and NCAA-related policies.

We found no exceptions as a result of these procedures.

8. We reviewed the footnotes to the Statement and found them to be proper and in compliance with NCAA guidelines.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on either the Intercollegiate Athletic Department's internal control or on the accompanying Statement of Revenues and Expenses. Accordingly, we do not express any such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the University.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, and Administration of the University and authorized representatives of the NCAA and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.



Auston G. Johnson, CPA  
Utah State Auditor  
December 12, 2011

**UNIVERSITY OF UTAH**  
**INTERCOLLEGIATE ATHLETIC DEPARTMENT**

**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Football	Men's Basketball	Women's Basketball	Gymnastics	Other Sports (Note 1)	Non-Sport Specific (Note 1)	Total
<b>REVENUES:</b>							
Ticket Sales (Note 2)	\$ 7,601,686	\$ 1,722,774	\$ 17,098	\$ 367,075	\$ 22,110	\$ 34,051	\$ 9,764,794
Guarantees	1,450,000	10,000	-	-	44,500	25,000	1,529,500
Utah Sports Property (Note 3)	1,261,923	540,824	-	-	-	-	1,802,747
National TV / Website (Note 3)	801,229	368,850	20,492	20,492	20,492	-	1,231,555
Concessions / Novelties / Merchandise (Note 4)	1,456,272	443,970	16,387	80,252	10,298	235,654	2,242,833
Stadium Suites (Note 5)	576,710	-	-	-	-	-	576,710
NCAA Distributions	-	508,659	-	-	3,500	1,088,265	1,600,424
MWC Distributions (Note 6)	955,354	193,404	-	-	-	183,911	1,332,669
Student Fees	-	-	-	-	-	5,412,597	5,412,597
Donations (Note 7)	4,418,028	2,302,070	194,911	383,242	295,602	-	7,593,853
Investment Income	-	-	-	-	-	230,309	230,309
Direct Institutional Support (Note 8)	801,520	122,681	166,411	237,319	442,985	2,211,316	3,982,232
Miscellaneous	129,545	290	730	(180)	43,454	653,952	827,791
<b>Total Revenues</b>	<b>19,452,267</b>	<b>6,213,522</b>	<b>416,029</b>	<b>1,088,200</b>	<b>882,941</b>	<b>10,075,055</b>	<b>38,128,014</b>
<b>EXPENSES:</b>							
Salaries	3,726,390	1,550,381	686,609	552,472	1,584,710	5,169,300	13,269,862
Travel:							
Team	1,337,440	382,758	217,278	64,869	1,387,783	-	3,390,128
Business	36,194	25,850	3,788	4,337	24,112	163,300	257,581
Recruiting	289,353	146,826	70,031	54,781	192,773	-	753,764
Financial Aid:							
Room and Board	1,039,867	155,661	153,694	160,632	642,212	59,610	2,211,676
Tuition and Fees (Note 8)	1,279,670	233,278	263,030	365,383	2,217,470	318,578	4,677,409
Game Operations	1,195,326	700,256	218,187	151,741	160,127	1,220,017	3,645,654
Uniforms and Equipment	522,569	34,232	17,847	65,295	355,667	478,769	1,474,379
Office Expense	449,147	90,667	47,465	25,263	126,321	1,421,698	2,160,561
Public Relations	139,314	7,789	10,869	25,433	27,233	711,309	921,947
Facility Rent (Note 5)	1,133,322	-	-	-	55,709	21,659	1,210,690
Miscellaneous (Note 9)	510,173	80,413	24,565	44,066	44,203	1,722,468	2,425,888
<b>Total Expenses</b>	<b>11,658,765</b>	<b>3,408,111</b>	<b>1,713,363</b>	<b>1,514,272</b>	<b>6,818,320</b>	<b>11,286,708</b>	<b>36,399,539</b>
Excess (Deficit) Revenues over Expenses	7,793,502	2,805,411	(1,297,334)	(426,072)	(5,935,379)	(1,211,653)	1,728,475
Transfers, Net In/(Out) (Note 10)	160	(180,000)	(5,000)	-	4,782	(369,618)	(549,676)
<b>Change in Net Assets</b>	<b>\$ 7,793,662</b>	<b>\$ 2,625,411</b>	<b>\$ (1,302,334)</b>	<b>\$ (426,072)</b>	<b>\$ (5,930,597)</b>	<b>\$ (1,581,271)</b>	<b>\$ 1,178,799</b>

*The accompanying notes are an integral part of this financial statement.*

**UNIVERSITY OF UTAH**  
**INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Statement of Revenues and Expenses (Statement) has been prepared on the accrual basis of accounting, with the exception of Direct Institutional Support revenues and Financial Aid expenses which have not been reduced for scholarship allowances of \$2,434,724. The Statement presents the results of financial activity of the University of Utah (University) Intercollegiate Athletic Department (Athletic Department), which includes the George S. Eccles Tennis Facility. The financial activity of the Athletic Department's endowment and fixed assets, in accordance with NCAA reporting guidelines, is not included in the Statement. In addition, the financial activity of the Huntsman Center, Rice-Eccles Stadium, and sports camps conducted by University coaching staff is not included in the financial statement because they are not under the jurisdiction of the Athletic Department. The significant accounting policies followed are described below.

Sports Accounting

Because of the significant revenues and expenses generated by football, men's basketball, women's basketball, and gymnastics, they are reported separately. Other sports in which the University participates are combined and reported as "Other Sports." The administrative functions of the Athletic Department and activities, which provide support for all sports, have been combined for reporting purposes under the caption "Non-Sport Specific." These supportive activities include costs such as those related to weight and training rooms, academic advising, marketing, compliance, media relations, cheerleaders, Utah Dance Team, etc.

Revenue Allocation

Sales and services revenues have been allocated to the activity generating the income. All revenues – student activity fees, gifts, Mountain West Conference fees, national broadcast revenue, CBS website royalties, investment income, and direct institutional support – have been allocated based on the Athletic Department's management decisions.

Expenditure Allocation

Generally, expenses have been allocated to the activity incurring the expense. The majority of the advertising/promotions, facility rentals, memberships, insurance, and general and administrative expenditures were charged to "Non-Sport Specific."

Additional Significant Accounting Policies

Other significant accounting policies are set forth in the following notes.

**UNIVERSITY OF UTAH**  
**INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

2. TICKET SALES

“Non-Sport Specific” ticket sales included tickets sold for the first and second rounds of the NCAA women’s basketball tournament.

3. UTAH SPORTS PROPERTY

Per contract, Utah Sports Property retains all rights to local media and corporate sponsorships for University athletics. The fiscal agreement to obtain these rights was a base of \$1,750,000 for fiscal year 2011 with an additional \$52,747 received in fiscal year 2011 under the revenue-sharing provisions of the contract. This revenue stream was allocated 70% to football and 30% to men’s basketball. National television and website royalty revenue is allocated 65% towards football, 30% towards men’s basketball, and 1.67% to each of women’s basketball, gymnastics, and other sports.

4. CONCESSION SALES – OTHER NOVELTIES

All non-University concession revenue was allocated to “Non-Sport Specific.”

The University Campus Store handles all merchandise sales at regular season home football and basketball games. The Athletic Department handles merchandise sales at away games. Licensing and University Campus Store merchandise sales are allocated 70% to football and 30% to men’s basketball.

Vendors are required to pay 35% commission on all food items and 80% on all beverages sold at University athletic events.

5. FACILITY RENT AND DEBT SERVICE

The Athletic Department generated \$576,710 in revenue from the 2010 football season sale of the Rice-Eccles Stadium suites. Of the \$1,210,690 in facility rent expense, the Athletic Department paid \$1,123,223 in rental fees for use of the stadium and its suites.

The University has assumed the annual bond payment for the Rice-Eccles Stadium. As of June 30, 2011, the University had \$4,000,000 of outstanding Series 1997A Auxiliary and Campus Facilities Revenue Bonds for the Rice-Eccles Stadium.

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NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

These outstanding bonds are not an obligation to the Athletic Department, but are secured by the University's pledging of the Stadium's net revenues, student building fees, and other miscellaneous fees. Additional information related to these bonds is available in the University's separately-issued financial statements.

The scheduled maturities of the revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2012	\$ 1,420,000	\$ 2,961	\$ 1,422,961
2013	1,505,000	1,645	1,506,645
2014	<u>1,075,000</u>	<u>484</u>	<u>1,075,484</u>
	<u>\$ 4,000,000</u>	<u>\$ 5,090</u>	<u>\$ 4,005,090</u>

6. MOUNTAIN WEST CONFERENCE (MWC) DISTRIBUTIONS

The \$955,354 allocated to football represents bowl travel reimbursements, contractual BCS revenue and conference bowl revenue distributions. The \$193,404 allocated to men's basketball was revenue received for the University's participation in the March 2011 MWC basketball tournament held in Las Vegas.

7. DONATIONS / RESTRICTED GIFTS

Donations are used to subsidize student athlete scholarships, facility upgrades, and academic support. Donations received are posted to Crimson Club, Athletic Development accounts and Scholarship Circle development funds. Donation money is transferred from the restricted development account into the Crimson Club operating account to cover the costs of scholarships.

For the 2011 fiscal year, 60% of all Crimson Club donations were generated from football tickets, with 30% generated from men's basketball, and the remaining 10% from other sports.

8. DIRECT INSTITUTIONAL SUPPORT

Direct Institutional Support includes Facility, General and Administrative, and Title IX support. The Athletic Department receives state funds as tuition waivers such as: Title 53, special, and

**UNIVERSITY OF UTAH**  
**INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

continuing scholarships. These waivers of \$2,434,724 are included as revenue under Direct Institutional Support and subsequently expensed under Financial Aid: Tuition and Fees.

9. MISCELLANEOUS EXPENSES

Miscellaneous expenses include: contractual services (\$166,508), medical expenses (\$567,225), maintenance and repairs (\$302,598), General and Administrative support (\$477,638), and other miscellaneous items.

10. TRANSFERS

The Transfer line-item includes funds re-allocated from sport development accounts to subsidize deficits in operating activities. It also includes the transfer of funds to plant operations for general construction projects and maintenance.

11. CAPITAL ASSETS

As described in the University's separately-issued financial statements, capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Buildings, infrastructure and improvements, and additions to existing assets are capitalized when acquisition costs equal or exceed \$50,000. Equipment is capitalized when acquisition costs equal or exceed \$5,000. All land is capitalized and not depreciated. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Capital assets of the University are depreciated on a straight-line basis over their estimated useful lives: 40 years for buildings, 15 years for infrastructure and improvements, and 5 to 20 years for equipment.

**UNIVERSITY OF UTAH**  
**INTERCOLLEGIATE ATHLETIC DEPARTMENT**

FINDING AND RECOMMENDATION  
FOR THE YEAR ENDED JUNE 30, 2011

**INTERNAL CONTROL WEAKNESS OVER CASH DISBURSEMENTS**

We reviewed the general control environment for the Intercollegiate Athletic Department (Athletic Department) at the University of Utah (University) for the fiscal year ended June 30, 2011. As part of this review we tested a sample of 25 cash disbursements. One purchase card transaction and the corresponding detailed monthly statement were not properly reviewed by management due to employee oversight. University purchase card procedures require the review of the detailed monthly purchase card statement. While Athletic Department personnel reviewed the monthly total of purchase card transactions recorded on PeopleSoft, they did not review the detailed statement. Failure to review detailed purchase card transactions may result in undetected misuse of Athletic Department funds.

**Recommendation:**

**We recommend that the Athletic Department properly review all purchase card transactions and detailed monthly statements in accordance with University purchase card procedures.**

*Athletic Department's Response:*

*Athletics will continue to place the sole responsibility upon the card holder to submit their monthly purchasing card statements to their supervisors for review and signatory approval. However, in order to prevent this in the future, the p-card audit manager/scheduler will also review all statements to make sure no signatures are missed prior to the semi-annual purchasing card audits. If any signatures are deemed to be missing, the statement will be re-submitted to the supervisor for further review.*