



UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2012

Report No. 12-44

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Stan Albrecht, President
Utah State University

We have performed the procedures enumerated below, which were agreed to by Utah State University's management, 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) Constitution 3.2.4.16 for the year ended June 30, 2012. 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 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 Services' 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 and Athletic Department cash receipts, payroll transactions and non-payroll expense transactions. Our sample sizes were limited to 25 items or 10% of the population, whichever was smaller. Internal control weaknesses were identified and have been included in the finding and recommendation section of this report on page 7.
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 Big Blue 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, 2012, 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. Other adjustments on the schedule made by the University to allocate revenues and expenses between activities and non-program specific activities were reviewed for reasonableness and consistency with the allocation description in the notes. These adjustments were reviewed on a sample basis. We found no exceptions as a result of these procedures.
4. We compared and agreed samples of revenue receipts and expenses to adequate supporting documentation. We found two exceptions as a result of these comparisons which are described in the finding and recommendation section of this report on page 7.
5. We compared each major revenue and expense account to prior period amounts. We obtained and documented an understanding of any significant variances (greater than \$25,000 and 20%). There were no significant variances which were unexplained. The University does not prepare budgets for the categories included in the NCAA statement; therefore, we were unable to compare each major revenue and expense account to budget estimates.
6. We performed the following procedures related to the University's Athletic Department revenues and recalculated the totals for each category:
 - a. *Ticket Sales*
 - For one of five sports with ticket sales (men's basketball), we compared the 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.
 - b. *Contributions*
 - We compared each major revenue account to prior period amounts. We were unable to compare major revenue accounts to budget estimates, see 5 above. We obtained and documented an understanding of any significant variances (greater than \$25,000 and 20%).
 - We obtained and reviewed supporting documentation for any contribution 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. The Athletic Department received a contribution from an individual donor, who wishes to remain anonymous, in the amount of \$2,559,500 that was greater than 10% of the total gift revenues.
 - c. *NCAA/Conference Distributions Including All Tournament Revenues*
 - We obtained and inspected agreements related to revenues from the University's participation in tournaments to gain an understanding of the relevant terms and conditions.
 - We compared and agreed the related revenues to the University's general ledger and/or the Statement.

We found no exceptions as a result of these procedures.

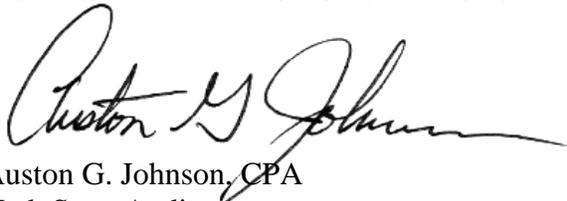
7. We performed the following procedures related to the University's Athletic Department expenses, and recalculated the totals for each category:
 - a. *Athletic Student Aid*
 - We selected a sample of 25 students from the listing of institutional student aid recipients.
 - We obtained individual student 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 coaches' contracts for 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.
 - We compared and agreed the W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense as recorded by the University in the Statement.
 - c. *Severance Payments*
 - We noted that there were no employees receiving severance payments from the University during fiscal year 2012.

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 the compliance of the accompanying Statement of Revenues and Expenses of the University. 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 you.

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
January 3, 2013

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
Operating revenues:					
Ticket sales	\$ 848,722	\$1,033,756	\$ 21,288	\$ 286,150	\$ 2,189,916
Student fees	336,770	531,923	3,090,144	2,040	3,960,877
Guarantees	951,900	60,000	2,000	-	1,013,900
Contributions	471,368	80,933	75,157	1,455,335	2,082,793
Compensation and benefits provided by a third party	80,000	90,000	-	-	170,000
Direct institutional support	754,449	1,213,084	2,002,332	3,241,477	7,211,342
Indirect facilities and administrative support	245,267	99,411	157,105	1,115,829	1,617,612
NCAA conference distributions	677,502	460,537	343,945	599,944	2,081,928
Program sales, concessions, etc.	16,598	38,729	-	-	55,327
Royalties, advertising, sponsors	175,467	165,467	56,771	20,000	417,705
Endowment and investment income	15,288	17,264	57,903	17,737	108,192
Other	3,245	7	23,520	124,878	151,650
	<u>4,576,576</u>	<u>3,791,111</u>	<u>5,830,165</u>	<u>6,863,390</u>	<u>21,061,242</u>
Operating expenses:					
Athletics student aid	1,750,836	324,324	2,202,732	234,574	4,512,466
Guarantees	250,000	237,000	11,500	-	498,500
Coaching salaries, benefits, etc.	1,588,199	1,067,189	1,384,173	-	4,039,561
Coaching other compensation	80,000	90,000	-	-	170,000
Support staff salaries, benefits, etc.	76,231	-	37,632	2,511,068	2,624,931
Recruiting	250,777	127,047	169,265	-	547,089
Team travel	913,501	348,329	1,489,288	-	2,751,118
Equipment, uniforms, and supplies	388,611	51,087	327,194	369,527	1,136,419
Game expenses	90,640	173,267	120,227	-	384,134
Fund raising, marketing, promotions	-	-	1,690	202,948	204,638
Direct facilities, maintenance, and rental	170,304	1,160	73,084	409,541	654,089
Indirect facilities and administrative support	245,267	99,411	157,105	1,115,829	1,617,612
Medical expenses and insurance	-	1,389	162	277,542	279,093
Memberships and dues	640	158,835	6,656	911,825	1,077,956
Other operating expenses	77,884	16,207	68,987	905,093 **	1,068,171
	<u>5,882,890</u>	<u>2,695,245</u>	<u>6,049,695</u>	<u>6,937,947</u>	<u>21,565,777</u>
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (1,306,314)</u>	<u>\$ 1,095,866</u>	<u>\$ (219,530)</u>	<u>\$ (74,557)</u>	<u>\$ (504,535)</u>

**Top Three Categories

Professional/technical fees
Contract services
Other current expense

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

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES TO THE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

Accrual Basis – The accompanying statement of revenues and expenditures has been prepared on the accrual basis of accounting and presents the results of financial activity of the Utah State University Athletic Department. Financial aid expenses have not been reduced for scholarship allowances. Tuition waivers have been reported as Tuition Waivers Revenue and Financial Aid Expense. For management purposes and accountability, assets have been capitalized and depreciation expense recorded to distribute costs over the useful life of the assets.

Capital Assets – The University’s policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletic-related capital assets is the same as for all University capital assets.

Capital assets are recorded at cost at date of acquisition, or fair market value at the date of donation in the case of gifts.

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings costing \$50,000 or more are capitalized, as are improvements to buildings costing \$50,000 or more that extend the useful life of the building. Improvements other than buildings costing \$50,000 or more are also capitalized.

The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are as follows: buildings 10-40 years, improvements other than buildings 5-20 years, and equipment 3-15 years.

Revenue Allocation – Revenues from operations have been allocated to the activity generating the income. Gifts and investment income have been allocated based on management decisions of the Athletic Department.

Student activity fees for Football and Basketball have been allocated based on student attendance at the general admission rates, with the remainder being allocated to “Other Sports.”

Advertising revenue has been allocated based on management’s estimate of which sport generated the revenue. It was estimated that 45% was attributable to Football, 45% to Basketball, and 10% to Other Sports.

The state appropriations were allocated through direct institutional support based on the actual payments made in support of Football, Basketball, Other Sports, and Non-program Specific activities.

Revenues received during a given fiscal year but not expended are carried forward for use by the Athletic Department in future fiscal years.

Sports Accounting – The major sports, which include football and men’s basketball, 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 support all sports have been combined for reporting purposes under the caption “Non-program Specific”.

Indirect Facilities and Administrative Support – Indirect facilities and administrative support includes overhead not charged directly to the Athletic Department. These charges include an operation and maintenance expense allocation by athletic unit, based on square footage of athletic facilities and an institutional support expense allocation, based on total salaries and wages of the Athletic Department. Of the

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES TO THE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

\$1,617,612 in indirect support, \$1,113,671 is operation and maintenance expense for the athletic facilities and \$503,941 is institutional support expense.

Athletic Department Debt – The principal balance of all Athletic Department debt at June 30, 2012 is \$8,837,420. This includes the University’s Stadium/Spectrum and Student Recreation Bonds, Series 2004A (Stadium/Spectrum Bonds) in the amount of \$8,460,000 and contracts payable (SunTrust Leasing Corporation) for scoreboards in the amount of \$377,420.

The Stadium/Spectrum Bonds are secured by a pledge of student building fees. The contracts payable are secured with revenue generated by the Athletic Department.

Amounts due on bonds and contracts payable in future years are as follows:

Utah State University
Amounts Due on Bonds and Contracts Payable - Related to Athletics
As of June 30, 2012

Fiscal Year	Stadium Spectrum Bonds		SunTrust Leasing Corp		Total
	Principal	Interest	Principal	Interest	
2013	\$ 415,000	\$ 421,431	\$ 65,968	\$ 13,704	\$ 916,103
2014	440,000	402,475	68,635	11,034	922,144
2015	460,000	381,300	71,410	8,255	920,965
2016	495,000	355,519	74,297	5,364	930,180
2017	520,000	327,950	77,301	2,357	927,608
2018-2022	3,055,000	1,204,313	19,809	105	4,279,227
2023-2026	3,075,000	356,063			3,431,063
	<u>\$ 8,460,000</u>	<u>\$ 3,449,051</u>	<u>\$ 377,420</u>	<u>\$ 40,819</u>	<u>\$ 12,327,290</u>

Contributions and Major Non-operating Activities – The Athletic Department received a contribution from an individual donor, who wishes to remain anonymous, in the amount of \$2,559,500 that was greater than ten percent of the total gift revenue. In addition, there were no significant changes to endowments for Intercollegiate Athletics during the year ended June 30, 2012. Contributions of \$346,934 were received in the University’s endowment fund for the benefit of the Athletic Department and have not been reported in this statement. Contributions of \$2,550,434 were received in the University’s plant fund for the benefit of the Athletic Department and have not been reported in this statement. Total contributions received by the University for the benefit of the Athletic Department are as follows:

Contributions reported on Statement of Revenues and Expenditures	\$ 2,082,792
Contributions received in the University’s endowment and plant funds	2,897,368
Total contributions	<u>\$ 4,980,160</u>

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

FINDING AND RECOMMENDATION
FOR THE YEAR ENDED JUNE 30, 2012

INADEQUATE RETENTION OF DOCUMENTATION

The Utah State University Athletic Department was unable to locate adequate supporting documentation for 1 of 25 payroll expense transactions tested and 1 of 25 non-payroll expense transactions tested. University policies and procedures require departments to retain the appropriate types of documentation to support disbursement transactions for, at a minimum, three to five years. This error was due to personnel changes within the Athletic Department which resulted in documentation being misplaced or destroyed during the transition process. Adequate documentation should be retained to verify that the expenses were appropriate and to provide an audit trail to facilitate an independent review of expenses.

Recommendation:

We recommend that the University establish controls to ensure that adequate documentation is retained in accordance with University policies and procedures.

University's Response:

The University concurs with the recommendation.