

UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2013

Report No. 13-44



OFFICE OF THE
UTAH STATE AUDITOR

UTAH STATE UNIVERSITY

Athletic Department
Agreed-Upon Procedures Report
For the Year Ended June 30, 2013

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AUDIT LEADERSHIP:

Jon Johnson, CPA, Audit Director
Jamie Sorenson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

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 (University's) management, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the University is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2013. 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 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 cash receipts (including Ticket Office and Athletics Business 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.

In the non-payroll disbursement sample, 8 of the 25 sample items were purchase card transactions. Of those 8 purchase card transactions, 4 transactions lacked adequate documentation of the approval of the purchase card reconciliation. These transactions were otherwise appropriate and recorded properly even though there was no documentation that the control had been performed. We noted similar control weaknesses and issued a similar finding related to purchase card control weaknesses as part of our financial statement audit of the University. This related finding and the University's response can be found in the University's Government Auditing Standards Report and Management Letter (Report No. 13-20, finding 1), dated October 23, 2013, issued under separate cover.

We found no exceptions, other than the purchase card issues noted above, as a result of these procedures.

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, 2013, 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 no exceptions as a result of the comparisons. However, we did note control exceptions, as indicated in 1. above.
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%). 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. There were no significant variances which were unexplained.
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 (football), 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.
 - 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 each 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 University received a contribution from Blue Square LLC in the amount of \$500,000 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 expenses 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 2013.

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's Athletic Department. Accordingly, we do not express any such 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 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.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 15, 2014

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Football</u>	<u>Basketball</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
Operating revenues:					
Ticket sales	\$ 1,443,280	\$ 857,266	\$ 24,052	\$ 120,945	\$ 2,445,543
Student fees	-	-	-	4,108,067	4,108,067
Guarantees	1,525,000	-	27,500	-	1,552,500
Contributions	1,020,045	53,968	299,410	1,589,124	2,962,547
Compensation and benefits provided by a third party	266,438	90,000	-	-	356,438
State support	-	-	143,667	-	143,667
Direct institutional support	783,416	1,217,405	2,119,600	3,634,826	7,755,247
Indirect facilities and administrative support	253,815	97,053	168,730	1,163,447	1,683,045
NCAA conference distributions	338,854	-	-	1,549,442	1,888,296
Program sales, concessions, etc.	-	-	-	79,783	79,783
Royalties, advertising, sponsors	-	8,618	9,081	226,523	244,222
Endowment and investment income	18,275	7,621	10,972	99,254	136,122
Other	181,777	234	36,415	110,361	328,787
	<u>5,830,900</u>	<u>2,332,165</u>	<u>2,839,427</u>	<u>12,681,772</u>	<u>23,684,264</u>
Total operating revenues					
Operating expenses:					
Athletics student aid	1,748,163	257,847	2,120,139	505,838	4,631,987
Guarantees	250,000	245,000	7,650	-	502,650
Coaching salaries, benefits, etc.	1,836,441	1,132,690	1,574,363	-	4,543,494
Coaching other compensation	266,438	90,000	-	-	356,438
Support staff salaries, benefits, etc.	25,867	-	42,535	2,699,835	2,768,237
Recruiting	206,227	123,658	201,852	-	531,737
Team travel	888,837	258,677	1,415,996	29,511	2,593,021
Equipment, uniforms, and supplies	574,676	103,955	493,116	493,989	1,665,736
Game expenses	247,694	139,800	135,618	-	523,112
Fund raising, marketing, promotions	1,386	-	1,654	208,614	211,654
Direct facilities, maintenance, and rental	494,570	3,280	272,893	780,130	1,550,873
Spirit Groups	-	-	-	25,697	25,697
Indirect facilities and administrative support	253,815	97,053	168,730	1,163,447	1,683,045
Medical expenses and insurance	2,664	2,109	373	464,093	469,239
Memberships and dues	-	545	8,283	923,143	931,971
Other operating expenses	93,212	35,103	149,328	1,040,516 *	1,318,159
	<u>6,889,990</u>	<u>2,489,717</u>	<u>6,592,530</u>	<u>8,334,813</u>	<u>24,307,050</u>
Total operating expenses					
Excess/(deficiency) of revenues over/(under) expenses	<u><u>\$(1,059,090)</u></u>	<u><u>\$(157,552)</u></u>	<u><u>\$(3,753,103)</u></u>	<u><u>\$ 4,346,959</u></u>	<u><u>\$(622,786)</u></u>

* Top Three Categories:
Software Licensing and Support
Receptions and Guests
Out-of-State General Travel

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

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 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 fee revenue was allocated 100% to Non-Program Specific activities.

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 men's football and 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 Administration 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 \$1,683,045 in indirect support, \$1,124,191 is operation and maintenance expense for the athletic facilities and \$558,854 is institutional support expense.

UTAH STATE UNIVERSITY
ATHLETIC DEPARTMENT

NOTES THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Athletic Department Debt - The principal balance of all Athletic Department debt at June 30, 2013 is \$10,328,967. This includes the University's Stadium/Spectrum and Student Recreation Bonds, Series 2004A (Stadium/Spectrum Bonds) in the amount of \$8,845,000 and contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of \$1,483,967. In fiscal year 2013, annual debt service payments totaled \$226,275 and were included in the statements as direct facilities, maintenance, and rental expense.

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, 2013

Fiscal Year	Stadium Spectrum Bonds		SunTrust Leasing Corp		SunTrust Leasing Corp		SunTrust Leasing Corp		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$530,000	\$268,637	\$68,635	\$11,034	\$82,556	\$18,198	\$53,806	\$6,871	\$1,039,737
2015	565,000	248,200	71,410	8,255	84,504	16,250	54,936	5,741	1,054,296
2016	590,000	231,063	74,297	5,364	86,498	14,255	56,089	4,588	1,062,154
2017	605,000	213,250	77,301	2,357	88,539	12,214	57,266	3,411	1,059,338
2018	625,000	194,950	19,809	105	90,629	10,125	58,468	2,209	1,001,295
2019-23	3,525,000	602,613			384,412	18,602	74,812	1,032	4,606,471
2024-26	2,405,000	100,503							2,505,503
	<u>\$8,845,000</u>	<u>\$1,859,216</u>	<u>\$311,452</u>	<u>\$27,115</u>	<u>\$817,138</u>	<u>\$89,644</u>	<u>\$355,377</u>	<u>\$23,852</u>	<u>\$12,328,794</u>

Contributions and Major Nonoperating Activities - The Athletic Department received a contribution from Blue Square LLC in the amount of \$500,000 that was greater than ten percent of the total gift revenue from groups of two or more individuals. The Athletic Department opened a new quasi endowment to hold funds raised for a new athletic practice facility. Donations recorded in FY 2012 in the amount of \$2,500,000 were transferred into this new quasi endowment in FY 2013. There were no additional significant changes to endowments for Intercollegiate Athletics during the year ended June 30, 2013. Contributions of \$932,200 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 \$520,601 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	\$2,962,548
Contributions received in the University's endowment and plant funds	1,452,801
Total contributions	<u>\$4,415,349</u>