

# UTAH STATE UNIVERSITY

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Athletic Department  
Agreed-Upon Procedures Report  
For the Year Ended June 30, 2014

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Report No. 14-35



OFFICE OF THE  
UTAH STATE AUDITOR

# UTAH STATE UNIVERSITY

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Athletic Department  
Agreed-Upon Procedures Report  
For the Year Ended June 30, 2014

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Report No. 14-35

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 L. 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 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, 2014. 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 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 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. One internal control weakness was identified and has 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 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, 2014, as prepared by management. 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 Statement 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 proposed the following four adjustments to the Statement which were necessary to comply with NCAA Guidelines:

- Reclassification of \$503,961 of revenues reported as Ticket Sales to NCAA/Conference Distributions.
- Reallocation of \$368,999 of revenues reported as Contributions from Non-Program Specific to the Football, Basketball, and Other Sports columns.
- Reallocation of \$135,190 of expenses reported in Direct Facilities, Maintenance, and Rental from Non-Program Specific to Football.
- Reallocation of \$100,754 of expenses reported in Direct Facilities, Maintenance, and Rental from Football to Basketball.

These adjustments have been made and are reflected in the Statement.

4. We reviewed the footnotes to the Statement and found them to be proper and in compliance with NCAA guidelines.
5. We compared and agreed samples of revenue and expense transactions to adequate supporting documentation. We found no exceptions as a result of the comparisons.
6. 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.
7. We performed the following procedures related to the Athletic Department revenues and recalculated the totals for each category:
  - a. *Ticket Sales*
    - For four of the five sports with ticket sales (men's basketball, women's basketball, gymnastics, and volleyball), 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 to 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 6 above). We obtained and documented an understanding of any significant variances (greater than \$25,000 and 20%).
    - There were no contributions of moneys, goods, or services received directly by the Athletic Department from any affiliated or outside organization, agency, or individuals that constitute 10% or more of all contributions received for intercollegiate athletics.
  - 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, except for the reclassification and reallocation issues noted in 3 above.

8. 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 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 2014.

We found no exceptions as a result of these procedures.

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, 2015

**Utah State University**  
**Athletic Department**  
**Statement of Revenues and Expenses**  
**For the Year Ended June 30, 2014**

	Football	Basketball	Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>					
Ticket sales	\$ 1,468,098	\$ 807,984	\$ 23,529	\$ 138,592	\$ 2,438,203
Student fees	-	-	-	4,027,277	4,027,277
Guarantees	850,000	-	24,500	-	874,500
Contributions	1,145,313	35,335	75,689	1,833,220	3,089,557
Compensation & benefits provided by a third-party	374,391	120,000	-	-	494,391
State support	-	-	181,525	-	181,525
Direct institutional support	604,672	1,308,716	2,411,851	3,884,660	8,209,899
Indirect facilities and administrative support	296,606	116,873	192,352	1,155,013	1,760,844
NCAA conference distributions	503,961	-	-	2,656,293	3,160,254
Program sales, concessions, etc.	-	-	-	82,546	82,546
Royalties, advertising, sponsors	5,000	5,826	5,076	496,323	512,225
Endowment and investment income	61,583	13,447	84,214	15,608	174,852
Other	2,770	503	21,783	121,790	146,846
Subtotal operating revenue	<u>5,312,394</u>	<u>2,408,684</u>	<u>3,020,519</u>	<u>14,411,322</u>	<u>25,152,919</u>
<b>Operating expenses:</b>					
Athletics student aid	1,754,512	281,676	2,150,747	236,722	4,423,657
Guarantees	250,000	245,000	12,950	-	507,950
Coaching salaries, benefits, etc.	2,036,763	1,265,630	1,862,420	152,317	5,317,130
Coaching other compensation	374,391	120,000	-	-	494,391
Support staff salaries, benefits, etc.	41,417	-	33,251	3,118,170	3,192,838
Recruiting	183,235	145,308	219,189	1,188	548,920
Team travel	1,222,228	236,247	1,673,680	2,136	3,134,291
Equipment, uniforms, and supplies	636,497	72,212	457,121	365,995	1,531,825
Game expenses	233,885	175,328	147,480	-	556,693
Fund raising, marketing, promotions	922	63	3,330	259,054	263,369
Direct facilities, maintenance, and rental	400,116	102,090	44,479	854,313	1,400,998
Spirit Groups	-	-	-	36,097	36,097
Indirect facilities and administrative support	296,606	116,873	192,352	1,155,013	1,760,844
Medical expenses and insurance	202	(114)	791	397,923	398,802
Memberships and dues	680	20	9,160	390,797	400,657
Other operating expenses	206,512	46,287	82,776	1,403,291 *	1,738,866
Subtotal operating expenses	<u>7,637,966</u>	<u>2,806,620</u>	<u>6,889,726</u>	<u>8,373,016</u>	<u>25,707,328</u>
Excess/(deficiency) of revenues over/(under) expenses	<u>\$ (2,325,572)</u>	<u>\$ (397,936)</u>	<u>\$ (3,869,207)</u>	<u>\$ 6,038,306</u>	<u>\$ (554,409)</u>

\* Top Three Categories  
Software Licensing & Support  
Guarantees Management & Genera  
Video Productior

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

**Utah State University**  
Athletic Department  
Notes to the Statement of Revenues and Expenditures  
For the Year Ended June 30, 2014

Accrual Basis of Accounting – The accompanying Statement of Revenues and Expenditures (Statement) has been prepared on the accrual basis of accounting and presents the results of financial activity of the Athletic Department. Direct Institutional Support revenues and Athletic Student Aid expenses have not been reduced for scholarship allowances. Tuition waivers have been reported as Direct Institutional Support revenue and Athletic Student 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 \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 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. The University completed construction of two athletic-related facilities in fiscal year 2014. The \$6.5 million Athletics Strength and Conditioning Center was completed in August 2013. The \$9.6 million Wayne Estes Center was completed in May 2014.

The University completed construction to two Athletic related facilities in FY14. The \$6.5 million Athletics Strength and Conditioning Center was completed in August 2013. The \$9.6 million Wayne Estes Center was completed in May 2014. Both facilities are funded by private donations.

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.

# Utah State University

## Athletic Department

### Notes to the Statement of Revenues and Expenditures

For the Year Ended June 30, 2014

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 \$1,760,844 in indirect support, \$1,090,373 is operation and maintenance expense for the athletic facilities and \$670,471 is institutional support expense.

Athletic Department Debt – The principal balance of all Athletic Department debt at June 30, 2014 is \$18,255,971. This includes a portion of the Series 2013B bonds for the Wayne Estes Center in the amount of \$8,662,000, Series 2013 bonds for the Stadium/Spectrum in the amount of \$8,315,000, and contracts payable (SunTrust Leasing Corporation) for scoreboards and field turf in the amount of \$1,278,971. In fiscal year 2014, annual debt service payments totaled \$241,196 and were included in the Statement as direct facilities, maintenance, and rental expense.

The Wayne Estes Center and 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 athletic-related bonds and contracts payable in future years are as follows:

Fiscal Year	Wayne Estes Center Bonds		Stadium/Spectrum Bonds		SunTrust Leasing Corp		SunTrust Leasing Corp		SunTrust Leasing Corp		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 0	\$ 397,460	\$ 565,000	\$ 248,200	\$71,410	\$ 8,255	\$ 84,504	\$16,250	\$ 54,936	\$ 5,741	\$ 1,451,756
2016	135,000	395,098	590,000	231,063	74,297	5,364	86,498	14,255	56,089	4,588	1,592,252
2017	150,000	390,785	605,000	213,250	77,301	2,357	88,539	12,214	57,266	3,411	1,600,123
2018	155,000	386,198	625,000	194,950	19,809	105	90,629	10,125	58,468	2,209	1,542,493
2019	160,000	380,527	650,000	174,387			92,767	7,986	59,695	982	1,526,344
2020-24	903,000	1,798,870	3,655,000	479,269			291,645	10,616	15,118	51	7,153,569
2025-29	1,122,000	1,579,860	1,625,000	49,459							4,376,319
2030-34	1,426,000	1,274,524									2,700,524
2035-39	1,802,000	899,283									2,701,283
2040-44	2,281,000	416,906									2,697,906
2045	528,000	11,000									539,000
	<u>\$8,662,000</u>	<u>\$7,930,511</u>	<u>\$8,315,000</u>	<u>\$1,590,578</u>	<u>\$242,817</u>	<u>\$16,081</u>	<u>\$734,582</u>	<u>\$71,446</u>	<u>\$301,572</u>	<u>\$16,982</u>	<u>\$27,881,569</u>

Contributions and Major Nonoperating Activities – There were no significant changes to endowments for intercollegiate athletics during the year ended June 30, 2014. Contributions of \$1,296,943 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 \$1,146,658 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	\$3,089,557
Contributions received in the University’s endowment and plant funds	2,443,601
Total contributions	<u><u>\$5,533,158</u></u>

**Utah State University**  
Athletic Department  
Finding and Recommendation  
For the Year Ended June 30, 2014

**INADEQUATE CONTROLS OVER ATHLETIC DEPARTMENT PAYROLL  
TRANSACTIONS**

We tested a sample of 25 Athletic Department payroll transactions, 11 of which were for hourly employees and, thus, required an approved timesheet; however, 1 of these 11 timesheets did not include the supervisor's approval. This error occurred due to employee oversight. The supervisor's review of the timesheet is a key control to ensure that timesheets are complete and accurate and payroll expenditures charged are proper. Inadequate reviews could result in inappropriate expenses being charged to departments of the University.

**Recommendation:**

**We recommend that Utah State University Athletic Department ensure supervisors review all required timesheets and sign and date them to document their review and approval.**

*University's Response:*

*We concur with the auditors' recommendation and will ensure that supervisors review and document approval of all time sheets.*

*Responsible person: Maggie McInerney  
Completion date: Immediately*