

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Northeast Louisiana University
State of Louisiana
Monroe, Louisiana

January 14, 1998



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana**

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1997**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

January 14, 1998

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1997**

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November 18, 1997

Independent Auditor's Report
on the Financial Statement

MR. LAWSON L. SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the accompanying statement of revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program, a program within Northeast Louisiana University, for the year ended June 30, 1997. This financial statement is the responsibility of management of Northeast Louisiana University. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly the revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1997, in conformity with generally accepted accounting principles.

As described in note 1, the statement of revenues and expenditures referred to above presents only the financial transactions of the Northeast Louisiana University Intercollegiate Athletics Program, a program within Northeast Louisiana University. As such, the financial statement is not intended to and does not present fairly the financial position and changes in fund balances of Northeast Louisiana University in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in cursive script, reading "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

FAC:MAN:dl

[NLU-NCAA]

ATHLETIC DEPARTMENT
 NORTHEAST LOUISIANA UNIVERSITY
 STATE OF LOUISIANA
 (PORTION OF) CURRENT FUNDS -
 AUXILIARY FUND

Statement of Revenues and Expenditures
 For the Year Ended June 30, 1997

	(PORTION OF) CURRENT FUNDS - AUXILIARY FUND	ATHLETIC AGENCY FUND	TOTAL (MEMORANDUM ONLY)
REVENUES			
Gate receipts	\$376,913		\$376,913
Student fees	1,899,200		1,899,200
Guarantees	1,239,545		1,239,545
Play-off/conference proceeds	266,929		266,929
Vending and other	249,398		249,398
Contributions	420,000	\$789,021	1,209,021
Contributions-in-kind		336,619	336,619
Total revenues	<u>4,451,985</u>	<u>1,125,640</u>	<u>5,577,625</u>
EXPENDITURES			
Personal services:			
Salaries	1,419,713	101,783	1,521,496
Student labor and other salaries	130,608		130,608
Related benefits	290,748	4,465	295,213
Travel	566,985	102,264	669,249
Promotion activities		322,476	322,476
Operating services	203,392	122,036	325,428
Supplies	259,270	15,773	275,043
Professional services	103,239	34,519	137,758
Other charges:			
Awards	4,463		4,463
Guarantees	331,175		331,175
Scholarships	1,049,262	422,324	1,471,586
Equipment	28,014		28,014
Total expenditures	<u>4,386,869</u>	<u>1,125,640</u>	<u>5,512,509</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$65,116</u>	<u>NONE</u>	<u>\$65,116</u>

The accompanying notes are an integral part of this statement.

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statement
For the Year Ended June 30, 1997

INTRODUCTION

Northeast Louisiana University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. Northeast Louisiana University Athletic Department is a part of Northeast Louisiana University. The accompanying financial statement presents information only as to the transactions of Northeast Louisiana University Athletic Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of Northeast Louisiana University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

Current Funds

Current funds are operating funds that will be expended in the near future. They include funds for operating purposes on which there are restrictions that limit the purposes for which the funds can be used, and include the auxiliary enterprise fund. The auxiliary enterprise fund includes the accounts of the athletic department.

Agency Fund

This fund group represents funds for which the university acts as custodian or fiscal agent on behalf of others, such as contributions and in-kind contributions.

B. BASIS OF ACCOUNTING

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Continued)

Revenues

Substantially all revenues are recognized when earned.

Expenditures

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized, (2) annual and sick leave are recognized when paid, (3) summer school fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year, and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

C. EMPLOYEE COMPENSATED ABSENCES

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying statement when paid.

D. TOTAL COLUMN ON STATEMENT

The total column on Statement A is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CONTRIBUTIONS FROM OUTSIDE ORGANIZATIONS

The following is a summary of contributions-in-kind received and reported as revenues and expenditures on Statement A:

Travel	\$84,900
Supplies	4,500
Operating services	41,319
Professional services	4,800
Promotional activities	<u>201,100</u>
Total	<u>\$336,619</u>

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Notes to the Financial Statement (Continued)**

3. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0600.

Funding Policy. The contribution requirements of plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 16.3 percent of covered salaries to TRS and 12.4 percent of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1997, 1996, 1995, were \$75,288, \$82,524, and \$60,518, respectively and to LASERS for the years ended June 30, 1997, 1996, 1995, were \$26,268, \$23,299, and \$21,146, respectively, equal to the required contributions for each year.

4. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

**ATHLETIC DEPARTMENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Notes to the Financial Statement (Concluded)**

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 16.3 percent of the covered payroll. The participant's contribution (8 percent), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system.

Employer contributions to the optional retirement plan totaled \$117,431 for the year ended June 30, 1997.

**5. OUTSIDE ORGANIZATION CREATED FOR
OR IN BEHALF OF THE NORTHEAST
LOUISIANA UNIVERSITY INTERCOLLEGIATE
ATHLETICS PROGRAM**

The only outside organization created for or in behalf of the Northeast Louisiana University Intercollegiate Athletics Program was the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, which is a separate corporation audited by an independent certified public accounting firm.

OTHER REPORTS REQUIRED BY
NCAA FINANCIAL AUDIT GUIDELINES

The following pages contain reports on internal controls and agreed-upon procedures required by *NCAA Financial Audit Guidelines*, issued by the National Collegiate Athletic Association. The report on internal controls is based solely on the audit of the financial statement and includes, where appropriate, any reportable conditions or material weaknesses. The report on agreed-upon procedures relates only to the items discussed and is substantially less in scope than an audit.



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November 18, 1997

Independent Auditor's Report on Internal Controls Based Solely on an
Audit of the Athletic Department's Statement of Revenues and Expenditures

MR. LAWSON SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the statement of revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1997, and have issued our report thereon dated November 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

In planning and performing our audit of the financial statement of the Northeast Louisiana University Athletic Department for the year ended June 30, 1997, we considered its internal controls for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal controls. However, we noted the following matters involving the internal controls and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

**Lack of Accountability Over Complimentary
Sporting Event Tickets**

Northeast Louisiana University issued in excess of 56,000 complimentary tickets to sporting events during the fiscal year ending June 30, 1997, while continuing to operate at a deficit in the athletic auxiliary fund. It is management's responsibility to exercise prudence in controlling the issuance of athletic tickets and to safeguard assets by establishing accountability and reconciling balances timely. In addition, adequate internal controls would ensure that the university collects revenues sufficient to cover corresponding expenditures. Through discussions with university personnel and review of university records, the following matters were disclosed:

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1. Approximately 22,400 tickets were issued to corporate sponsors, 9,480 to booster groups, and 1,550 to car dealers. Management was unable to provide a detailed listing, in a timely manner, of exactly who received these tickets. In relation to the majority of the tickets issued, university personnel informed us that contributions are made to the athletic foundation, a nonprofit organization; therefore, these funds were not deposited in university accounts.
2. Management was also unable to provide detailed listings of who the remaining complimentary tickets (approximately 22,500) were issued to nor could they provide documentation to support that these complimentary tickets were issued in compliance with the University of Louisiana System complimentary ticket policy.
3. The total number of complimentary tickets exceeded the number of tickets sold for these sporting events during the year.

These conditions exist because management has not placed considerable emphasis upon accountability, control, and safeguarding of all assets. As a result of the university not adequately controlling complimentary tickets, the university lost the opportunity to receive revenue from the sale of these tickets that is needed since the athletic programs are currently operating at a deficit in excess of \$500,000.

Northeast Louisiana University should review the policies and procedures in place relating to complimentary tickets and establish the necessary controls to provide accountability and to reduce the risk of additional losses. In a letter dated November 13, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university partially concurs with the finding. The university questions the inclusion of approximately 22,500 complimentary tickets that it believes were issued in accordance with the University of Louisiana System policy. The university further provides that approximately 33,500 were given to the athletic foundation and corporate sponsors, and in return, the university received \$420,000 in revenue to the athletic department. Finally, management stated that it would immediately initiate procedures to maximize accountability, control, and safeguarding of assets.

Additional Comments: The university did not provide adequate documentation to support the issuance of 22,500 complimentary tickets in accordance with system policy. Even though the university received the sum of \$420,000 from the athletic foundation, there was not adequate documentation to show that those funds were directly associated with the 33,500 complimentary tickets issued to the foundation and corporate sponsors. In addition, the athletic foundation is a nonprofit organization

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established to support the university and by its very nature would provide funding to the university. Finally, the issuing of complimentary tickets may be a violation of Article 7, Section 14 of the Louisiana Constitution of 1974, which provides that things of value may not be given by a state agency to anyone, either public or private.

Inadequate Controls Over Athletic Revenues

For the third consecutive year, Northeast Louisiana University has not maintained adequate control over all athletic revenues. Good internal controls and business practices require establishment of accountability for all revenues earned, as well as maintenance of complete and orderly records to support the distribution of tickets and to ensure that all revenue from ticket sales is received. During our review of athletic revenue, we noted the following exceptions:

1. For a home football game with Northwestern State University:
 - The university could not fully account for all unsold youth tickets, valued at approximately \$15,150. As a result, we were unable to ascertain that reported sales of approximately \$1,360 corresponded with youth tickets sold.
 - The game ticket summary report and the related pre-print ticket report did not reconcile. The game ticket summary report details ticket sales and the pre-print ticket report details the number of tickets printed before game day. The applicable sections of these reports disagreed and we were unable to determine which, if either, was correct.
 - The game ticket summary report and the related tickets printed report and unsold tickets on hand did not reconcile. This event reflected that more tickets were sold than were printed. Management had no explanation for this occurrence.
2. There is a lack of accountability for tickets provided by opposing teams when the university is playing an away game. Occasionally, both complimentary and for-sale tickets are provided to the university by opposing teams. The value of the tickets sold is reduced from the game guarantee and the unsold tickets are returned. The university has not established adequate procedures for reconciling total tickets received, sold, issued as complimentary tickets, or returned.

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NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
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3. Records maintained for damaged tickets are inadequate. Ticket stock is occasionally destroyed during ticket numbering. In the absence of inventoried ticket stock and documentation of damaged ticket stock, it is impossible to determine if all tickets have been accounted for.
4. General admission roll stock tickets are not adequately inventoried. Roll stock tickets are purchased in bulk and stored in a vault in the athletic ticket manager's office. There is no inventory maintained on these tickets and withdrawals from the vault for selling purposes or issuance for complimentary tickets are not recorded.
5. Reported game revenue and bank deposits do not reconcile. Revenue generated by each individual game is not traceable to bank deposits because the accounting system does not provide for specific accounts for each event. In addition, one daily deposit was \$50 short of total cash collected per the ticket seller report and a \$184 overage was recorded to ticket revenue instead of the over/short account.

These conditions exist because management has not placed the necessary emphasis on procedures to ensure that athletic ticket revenues are properly accounted for. As a result, the university does not have assurance that all revenues collected relating to sporting events are properly received and reflected in university records.

Northeast Louisiana University should review all procedures related to ticket printing, numbering, selling, and reporting and establish procedures that will ensure accountability for all tickets. In a letter dated October 23, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and that changes are being implemented to address the matters noted in our audit.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described previously are material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statement of the

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY
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Internal Control Report
November 18, 1997
Page 5

Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1997.

Our comments on the internal controls are intended for the information and use of the university's management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

FAC:MAN:dl

[NLU-NCAA]



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November 18, 1997

Independent Auditor's Report on
Agreed-Upon Procedures

MR. LAWSON SWEARINGEN, JR., PRESIDENT
NORTHEAST LOUISIANA UNIVERSITY
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the statement of revenues and expenditures of the Northeast Louisiana University Intercollegiate Athletics Program for the year ended June 30, 1997, and have issued our report thereon dated November 18, 1997. As requested by the university, we have also applied certain supplemental agreed-upon procedures contained in the *NCAA Financial Audit Guidelines* to the accounting records of the Northeast Louisiana University Athletic Department and applied certain minimum agreed-upon procedures related to outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 1997, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. These supplemental and minimum agreed-upon procedures relate only to the accounts and items as follows and do not affect our opinion on the statement of revenues and expenditures. Our supplemental and minimum agreed-upon procedures follow:

STATEMENT OF REVENUES AND EXPENDITURES

Test of Statement

We obtained from management the statement of revenues and expenditures for the year ended June 30, 1997, and requested written representation from management as to its fair presentation. In addition, we verified the mathematical accuracy of the amounts on the statement and traced the amounts to the university's revenue and expenditure ledgers. We noted no differences between the amounts on the statement and the amounts in the revenue and expenditure ledgers.

Comparison of Statements

We compared the statements of revenues and expenditures for June 30, 1996, and June 30, 1997, to determine the percentage of increase or decrease between the two years. The university provided satisfactory responses for any material variances between the two years.

EXHIBIT B

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY

STATE OF LOUISIANA

Agreed-Upon Procedures Report

November 18, 1997

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Comparison of Budget to Actual Revenues and Expenditures

We compared the amount of budgeted revenues and expenditures to actual revenues and expenditures for the year ended June 30, 1997, to determine if there were any material budget variances. The university provided satisfactory responses for any material variances.

Contributions Exceeding Ten Percent of Total Contributions

We obtained representation from management that there were no single contributions received by the athletic department that exceeded 10 percent (\$112,564) of total contributions.

Booster Group Activities

We reviewed the university's procedures for monitoring booster group activities. The university maintains the financial records for its only booster group, the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated. The financial statements were audited by an independent certified public accounting firm for the year ended June 30, 1997.

EXPENDITURES OF OUTSIDE ORGANIZATION MADE FOR OR IN BEHALF OF NORTHEAST LOUISIANA UNIVERSITY INTERCOLLEGIATE ATHLETIC PROGRAM

Review of Financial Activities of Outside Organizations

We obtained written representation from management of the university that the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, was the only outside organization that made expenditures for or in behalf of the athletic department. In addition, we obtained the financial statements of the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, for the year ended June 30, 1997, which had been audited by an independent certified public accounting firm who expressed an unqualified opinion on those statements. We obtained the following summary of revenues and expenditures from the audited financial statements and accounting records of the foundation and reconciled the expenditures made for or in behalf of the athletic program to the university's accounting records and to the

LEGISLATIVE AUDITOR

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STATE OF LOUISIANA
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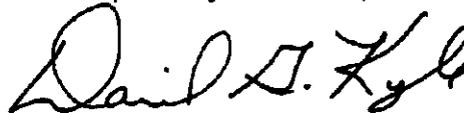
revenues reported on the statement of revenues and expenditures. The financial activity of the Northeast Louisiana University Athletic Scholarship Foundation, Incorporated, for the year ended June 30, 1997, is as follows:

Fund balance, July 1, 1996	\$650,910
Revenues	1,022,289
Expenditures for:	
Northeast Louisiana University Athletic Department	(1,125,640)
Foundation support	<u>(115,917)</u>
Fund balance, June 30, 1997	<u>\$431,642</u>

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of the financial statements of the related outside organizations in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of Northeast Louisiana University or the related outside organization taken as a whole.

This report is solely for the information and use of the university's management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

FAC:MAN:dl

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