

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Northwestern State University
State of Louisiana
Natchitoches, Louisiana

January 8, 1997



Financial and Compliance Audit Division

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

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana**

**Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 1996**

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 8, 1997

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

**Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 1996**

CONTENTS

	Statement	Page No.
Independent Auditor's Report (including section on internal control)		2
Financial Statement - Statement of Revenues and Expenditures	A	8
Notes to the Financial Statement		9

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statement
For the Year Ended June 30, 1996

INTRODUCTION

Northwestern State 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. The Northwestern State University Athletic Department is a part of Northwestern State University. The accompanying financial statement presents information only as to the transactions of the Northwestern State 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 Northwestern State 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.

B. BASIS OF ACCOUNTING

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

Revenues

Substantially all revenues are recognized when earned.

ATHLETIC DEPARTMENT
 NORTHWESTERN STATE UNIVERSITY
 STATE OF LOUISIANA
 (A PORTION OF) CURRENT FUNDS
 AUXILIARY ENTERPRISE FUND

Statement of Revenues and Expenditures
 For the Year Ended June 30, 1996

REVENUES

Season tickets	\$59,210
Gate receipts	51,299
Student fees	1,907,375
Guarantees	135,424
Program sales	8,140
Concessions	8,166
Outside funds (note 2)	589,294
Payments in-kind (note 3)	31,213
Conference distribution	118,973
Other	15,098
Total revenues	<u>2,924,192</u>

EXPENDITURES

Personal services:	
Coaches' salaries	603,962
Other salaries	218,457
Related benefits	161,235
Loan cars	19,700
Travel	232,698
Operating services	365,596
Supplies	211,458
Fund raisers	75,072
Professional services	115,163
Other charges:	
Awards	1,134
Guarantees	60,110
Scholarships	601,829
Sports camp	79,784
Cultivation	34,012
Other	70,255
Equipment	54,127
Capital projects	19,600
Total expenditures	<u>2,924,192</u>

EXCESS OF REVENUES OVER EXPENDITURESNONE

The accompanying notes are an integral part of this statement.

LEGISLATIVE AUDITOR

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1996

changes are being made in the Computer Center to address the areas noted in the finding. In addition, a complete policy and procedure manual is being developed.

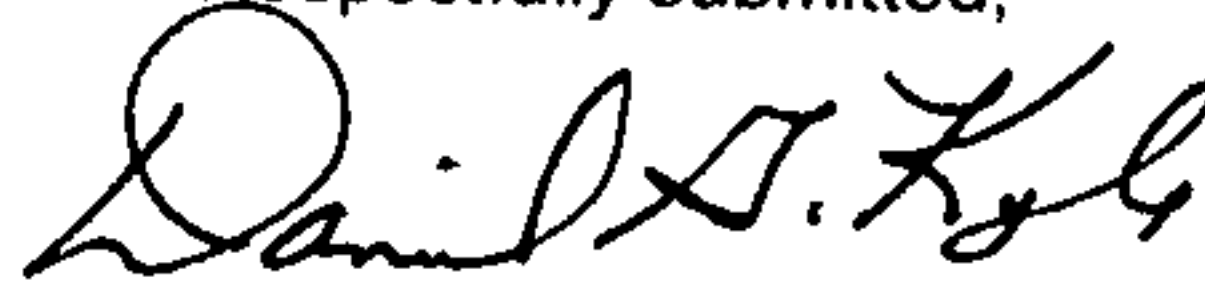
Booster Group Activities

We reviewed the university's procedures for monitoring booster group activities. The accounts of the Northwestern Athletic Association are maintained by the Northwestern State University Foundation, Incorporated. The athletic director and the university's comptroller receive audited annual financial statements from the foundation as a basis to monitor spending of the booster group for athletics.

Independent Audit of Outside Organization

The financial statements of the Northwestern State University Foundation, Incorporated, have been audited by an independent certified public accounting firm for the year ended June 30, 1996.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

BAC:MAN:dl

[NSU-NCAA]

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1996

**INTERNAL CONTROL STRUCTURE - POLICIES AND
PROCEDURES RELATING TO INTERCOLLEGIATE
ATHLETICS - AGREED-UPON PROCEDURES**

Management of Northwestern State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The minimum agreed-upon procedures, applied to certain aspects of the university's internal control structure, were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because our study and evaluation was limited to applying minimum agreed-upon procedures discussed in the preceding paragraphs to certain aspects of the control structure, we do not express an opinion on whether the internal control structure of Northwestern State University, in effect for the year ended June 30, 1996, taken as a whole, was sufficient to meet the objectives stated above. In connection with our applied procedures, we did note certain opportunities for improvement in internal accounting controls. Our minimum agreed upon procedures and findings are as follows:

Test of the Internal Control Structure

We performed a preliminary review of the internal control structure of the athletic department by reviewing the organizational chart, written athletic department policies and procedures, and by performing tests on the extent of documentation and the flow of transactions through the accounting system. We noted the following weaknesses:

Northwestern State University has deficiencies relating to general electronic data processing (EDP) controls that could affect the integrity of programming, processing, and data. The control environment includes general EDP controls as well as the control procedures over application development and maintenance, logical access to systems and data, computer operations, and segregation of incompatible duties. Good EDP general controls combined with good EDP

**ATHLETIC DEPARTMENT
 NORTHWESTERN STATE UNIVERSITY
 STATE OF LOUISIANA**
 Notes to the Financial Statements (Continued)

Expenditures

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized; (2) summer school fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (3) 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 earned.

2. CONTRIBUTIONS FROM OUTSIDE ORGANIZATION

Included on Statement A are expenditures made for or in behalf of the athletic department by the Northwestern Athletic Association as follows:

Personal services	\$6,118
Travel	38,181
Operating services	141,747
Supplies	18,056
Professional services	5,970
Fund raisers	75,072
Awards	696
Scholarships	156,902
Sports camp	79,784
Equipment	47,168
Capital projects	19,600
	<hr/>
Total	<u><u>\$589,294</u></u>

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DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1996

EXPENDITURES OF OUTSIDE ORGANIZATION MADE
FOR OR IN BEHALF OF THE NORTHWESTERN STATE
UNIVERSITY INTERCOLLEGIATE ATHLETICS
PROGRAM

Review of Financial Activities
of the Outside Organization

We obtained written representation from management of the university that the Northwestern Athletic Association, a part of the Northwestern State University Foundation, Incorporated, was the only outside organization created for or in behalf of the athletic department. In addition, we obtained written representation from an official of the Northwestern State University Foundation, Incorporated, that the following summary of cash receipts and disbursements of the Northwestern Athletic Association reflects fairly the financial activity for the year ended June 30, 1996. Finally, we verified the mathematical accuracy of the amounts on the summary of cash receipts and disbursements and traced the amount of cash disbursements made for or in behalf of the Northwestern State University Athletic Department to the statement of revenues and expenditures (Statement A).

Cash balance, July 1, 1995	\$242,010
Cash receipts (donations, fund raisers, etc.)	454,256
Cash disbursements:	
Administrative/overhead expenses	(88,083)
For or in behalf of the athletic department:	
Personal services	(6,118)
Travel	(43,537)
Professional services	(5,970)
Awards	(696)
Scholarships	(188,817)
Sports camp	(79,784)
Equipment	(47,168)
Capital projects	(19,600)
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Cash balance, June 30, 1996	<u>\$216,493</u>



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

October 24, 1996

Independent Auditor's Report
(including section on internal control)

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana

We have audited the general purpose financial statements of Northwestern State University, a component unit of the State of Louisiana reporting entity, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 7, 1996. As requested by the university, we have also applied certain minimum agreed-upon procedures contained in the *National Collegiate Athletic Association Financial Audit Guidelines* to the accounting records and internal control structure of the Northwestern State University Athletic Department and to the related outside organization created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 1996, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. It is understood that this report is solely for your information. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Because the following minimum agreed-upon 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 on the accompanying statement of revenues and expenditures of the athletic department or on the financial information of the related outside organization included in this report. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Program and related outside organization of Northwestern State University in accordance with generally accepted auditing standards, matters might have come to our attention that would be reported to you. This report relates only to the accounts and items discussed as follows and does not extend to the financial statements of Northwestern State University, its Intercollegiate Athletic Program, or related outside organization taken as a whole. Our minimum agreed-upon procedures follow.

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

3. PAYMENTS-IN-KIND

Included on Statement A are payments-in-kind, which are recognized as outside funds that were received for or in behalf of the athletic department from outside organizations, as follows:

Loan cars	\$19,700
Travel	1,500
Supplies	<u>10,013</u>
Total	<u><u>\$31,213</u></u>

**4. OUTSIDE ORGANIZATION CREATED FOR OR
IN BEHALF OF THE NORTHWESTERN STATE
UNIVERSITY INTERCOLLEGIATE ATHLETICS
PROGRAM**

The Northwestern Athletic Association is the only outside organization created for or in behalf of the Northwestern State University Intercollegiate Athletics Program. The accounts for this club are maintained within the Northwestern State University Foundation, Incorporated, which is a separate corporation.

LEGISLATIVE AUDIT ADVISORY COUNCIL

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

LEGISLATIVE AUDITOR

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1996

STATEMENT OF REVENUES AND EXPENDITURES

Test of Statement

We obtained from management the statement of revenues and expenditures for the year ended June 30, 1996, as shown on Statement A, 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, 1995, and June 30, 1996, 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.

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, 1996, to determine if there were any material budget variances. The university provided satisfactory responses for any material unfavorable variances between budgeted and actual amounts.

Contributions Exceeding Ten Percent of Total Contributions

We obtained from the university a list of contributions received by the athletic department. We determined that Recycling Services, Incorporated's contribution of \$27,500 exceeded 10 percent (\$15,967) of the total contributions.

LEGISLATIVE AUDITOR

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1996

application controls ensure that computer production is performed according to management's design and intent.

Annually, the Computer Center processes information relating to approximately \$59 million of revenues as well as various other transactions of the university. Our control work revealed the following weaknesses, which were identified in our previous audit and still have not been resolved:

- Duties and responsibilities of EDP staff are not adequately defined in their job descriptions.
- The university does not have an EDP internal audit function.
- The university does not have a written systems development and documentation standards manual.
- The university does not have written procedures for revisions and/or modification to the existing system and applications.
- The university does not have written procedures in the event of hardware failure or malfunction, nor does it log in the hardware failures/malfunctions with cause and resolution.
- The university does not have a written policy and procedure manual for its EDP Department.

Our review also identified these additional weaknesses:

- Three employees have write access to data files that are incompatible with their job responsibilities.
- Three of four employees tested had access to the system for 37 to 77 days after they were terminated.

The Director of Information Services has focused more on providing users with the information to accomplish their required tasks rather than developing and implementing the necessary controls to safeguard the system.

Northwestern State University should establish and implement general and application EDP controls in its Computer Center to address the weaknesses noted above. In a letter dated October 4, 1996, Dr. Randall J. Webb, President, stated that