

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
McNeese State University
State of Louisiana
Lake Charles, Louisiana

February 10, 1968



Financial and Compliance Audit Division

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

**ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana**

**Financial Statement and
Independent Auditor's Report
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 office of the Legislative Auditor and at the office of the parish clerk of court.

February 10, 1998

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ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA

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

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January 26, 1988

**Intercollegiate Auditor's Report
(including section on internal control)**

**DR. ROBERT D. HERBERT, PRESIDENT
MONTESSIE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana**

We have audited the general purpose financial statements of Montessie State University, a component unit of the State of Louisiana reporting entity, as of June 30, 1987, and for the years ended June 30, 1987, and June 30, 1986, and have issued our report thereon dated November 16, 1987. 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 system of internal accounting control of the Montessie State University Athletic Department and to the related outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 1987, 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 organizations included in this report. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Program and the related outside organizations of Montessie 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 on the following pages and does not extend to the financial statements of Montessie State University, its Intercollegiate Athletics Program, or the related outside organizations taken as a whole. Our minimum agreed-upon procedures follow:

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DR. ROBERT C. HERBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Audit Report, June 30, 1997

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, 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 on the statement to various accounts in the revenue and expenditure ledgers of the university. We compiled the in-kind contributions and proposed corresponding adjustments to both revenues and expenditures. University fiscal managers concurred with the adjustments made.

Comparison of Statements

We compared the statements of revenues and expenditures for June 30, 1995, and June 30, 1997, to determine the percentages 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, 1997, to determine if there were any material budget variances. The university provided satisfactory responses for any material variances between budgeted and actual amounts.

Contributions Exceeding Ten Percent of Total Contributions

We compiled from the university accounting records and information provided by university staff a list of contributors made to the athletic department and identified individual contributions that exceeded ten percent of the total contributions of \$59,522. McNeese State University Cowboy Club, Incorporated, contributed \$101,988; Calcasieu Marine National Bank contributed \$350,000; and Cameron State Bank contributed \$97,498 for the year ended June 30, 1997.

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MCNEESE STATE UNIVERSITY
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**EXPENDITURES OF OUTSIDE ORGANIZATIONS
 MADE FOR OR IN BEHALF OF THE MCNEESE
 STATE UNIVERSITY INTERCOLLEGIATE ATHLETICS
 PROGRAM**

**Review of Financial Activities
 of Outside Organizations**

We obtained written representation from management of the university that the following booster groups were the only outside organizations created for or in behalf of the athletic department. In addition, we obtained from management of the university, the statements of cash receipts and disbursements with written representations as to their fair presentation. We also reconciled the cash disbursements made by outside organizations for or in behalf of the athletic department to the statement of revenues and expenditures, and we reconciled the direct payments of outside organizations to the accounting records of the university and to the revenues reported on the statement of revenues and expenditures (Statement A).

	Beginning Balance July 1, 1996	Receipts	Expenses			Ending Balance June 30, 1997
			CONSTITUTION N-Athletics Department	Constitution for Athletics Department	Other	
McNeese State University organizations:						
Booster Club	\$15,000	\$925,514	\$79,266	\$5,000	\$33,429	\$15,780
Quadrant Club	8,740	20,000	17,000	6,667	7,462	13,240
Ty-Die Club	18,288	\$5,289	\$2,814	6,666	6,708	5,607
Pelican Club	58,658	75,128		6,667	85,675	69,508
Total	\$110,686	\$1,025,931	\$175,086	25,000	135,274	\$110,611

**INTERNAL CONTROLS - POLICIES AND
 PROCEDURES RELATIVE TO
 INTERCOLLEGIATE ATHLETICS -
 AGREED-UPON PROCEDURES**

Management of McNeese State University is responsible for establishing and maintaining internal controls. 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 controls 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

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property to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or fraud may, nevertheless, occur and not be detected. Also, projection of any evaluation of the controls 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 athletic department's internal controls, were more limited than would be necessary to express an opinion on the internal controls taken as a whole. Because our study and evaluation was limited to applying minimum agreed-upon procedures discussed in the following paragraphs to certain aspects of the internal control system, we do not express an opinion on whether the internal controls of the McNeese State University Athletics Department, in effect for the year ended June 30, 1997, taken as a whole, was sufficient to meet the objectives stated previously. In connection with our applied procedures, we noted a certain opportunity for improvement in internal controls. Our minimum agreed-upon procedures and audit finding are as follows:

Test of the Internal Controls

We performed a preliminary review of the internal controls of the athletic department by reviewing the athletic department organizational chart and the athletic department policies and procedures and by performing tests of the flow of transactions through the accounting system. We noted the following weakness:

Lack of Controls Over Athletic-Related Income

McNeese State University does not have internal controls to ensure that all athletic-related income is properly approved and reported to the university in accordance with the McNeese State University Athletics Department Policy Manual and NCAA Bylaw 11.2.2. The university's internal auditor issued a report to the University President dated May 15, 1997, regarding "audit results of athletically related income and benefits from sources outside the institution." The report stated that a review of the university's head men's basketball coach's contract indicated that he was "in violation of NCAA Bylaw 11.2.2 which requires a full disclosure of all athletically related income and benefits from sources outside the institution. He was in further violation by not receiving prior written approval from the President to solicit donations and sponsorships from sources outside the institution." The McNeese State University Athletics Department Policy Manual, as well as the coaches' contracts, require this income to be approved by the university and reported to the university.

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MICHIGAN STATE UNIVERSITY
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In a response to the internal auditor, dated April 28, 1997, the basketball coach stated that 'due to an oversight he failed to disclose the outside income from the Corporate Media Sponsorship Program for the 1996-97 fiscal year.' The outside income amounted to \$24,276 as of April 28, 1997. The coach further stated that he had a verbal agreement with the university to solicit corporate sponsors for his radio and television package as a condition of his accepting the coaching position.

As a result of the violation, the internal auditor conducted a review of all coaches' contracts to determine if revenue from sources outside the institution was disclosed. The internal auditor also looked for written approvals from the President to solicit donations. The results of the review indicated that there were no letters of approval from the President. Furthermore, there is no accounting for revenues and expenditures from athletic-related income that was provided by any coach.

The university should strengthen its internal controls over athletic-related income to ensure that it is properly approved and reported to the university in accordance with the Michigan State University Athletics Department Policy Manual and NCAA Bylaw 11.2.2. In a letter dated January 28, 1998, Dr. Robert D. Hebert, President, stated, 'Michigan State University will establish procedures to ensure that all athletic department staff members receive prior written approval from the chief executive officer to receive athletically related income from sources outside the university in accordance with NCAA Bylaw 11.2. All coaches and athletics administrators will also be required to complete an annual disclosure form detailing the sources and amounts of such income.'

Booster Group Activities

We reviewed the university's procedures for monitoring booster group activities. The athletics department, under the supervision of the athletic director, maintains the accounting records of the Michigan Cowboy Club and reviews the accounts of the other booster clubs.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

ATHLETIC DEPARTMENT
MONROE STATE UNIVERSITY
STATE OF LOUISIANA

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

	(PORTION OF) CURRENT FUNDS		TOTAL MEMORANDUM (ONLY)
	UNRESTRICTED - AUXILIARY ENTERPRISE FUNDS	RESTRICTED - ATHLETIC FUNDS	
REVENUES			
Gate receipts	\$188,873		\$188,873
Season ticket sales	489,703		489,703
Guarantees	127,800		127,800
Sales and services	168,412	\$12,500	180,912
Broadcasting rights	5,878		5,878
Student fees	1,099,784		1,099,784
Gifts	333,838	478,287	812,125
In-kind contributions (note 2)		127,200	127,200
Postseason tournament	161,462		161,462
Miscellaneous	57,871	62,229	120,100
Total revenues	<u>3,385,417</u>	<u>702,236</u>	<u>4,087,653</u>
EXPENDITURES			
Personal services:			
Coaches' salaries	917,718		917,718
Other salaries	146,718	52,745	199,463
Retired benefits	285,268	2,159	287,427
Total	449,704	57,013	506,717
Operating services	188,877	118,287	307,164
Supplies	237,784	28,289	266,073
Professional services	79,747	52,550	132,297
Scholarships	921,708	26,200	947,908
Other charges	121,788	28,232	150,020
Awards		689	689
Guarantees	162,213		162,213
Capital outlay:			
Equipment	45,844	28,279	74,123
Football scoreboard		348,275	348,275
Total expenditures	<u>3,385,398</u>	<u>702,804</u>	<u>4,088,202</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES			
	<u>(\$2,076)</u>	<u>(\$568)</u>	<u>(\$2,644)</u>

This accompanying notes are an integral part of this statement.

**ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA**

**Notes to the Financial Statements
For the Year Ended June 30, 1967**

INTRODUCTION

McNeese 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 McNeese State University Athletic Department, which operates the intercollegiate athletics program, is a part of McNeese State University. The accompanying financial statement presents information only as to the transactions of the McNeese State University Athletic Department.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of McNeese 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. Such funds have two basic subgroups, unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the Auxiliary Enterprise Fund. The Auxiliary Enterprise Fund includes the operating accounts of the athletic department. Restricted current funds represent those operating funds on which restrictions have been imposed to limit the purposes for which such funds can be used.

B. BASIS OF ACCOUNTING

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

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Notes to the Financial Statement (Continued)

Revenues

Substantially all revenues are recognized when earned.

Expenditures

Expenditures are generally 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; 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 financial statement when paid.

D. TOTAL COLUMN ON STATEMENT

The total column on Statement A is captioned Memorandum Only (inquiries) 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.

**3. CONTRIBUTIONS (GIFTS-IN-KIND)
FROM OUTSIDE ORGANIZATIONS**

Expenditures on Statement A reflect gifts in the form of goods, services, and benefits paid for or in behalf of the athletic department as follows:

Travel	\$8,609
Operating services	78,731
Supplies	5,533
Professional services	38,368
Other charges	5,400
Awards	<u>689</u>
Total	<u>\$137,320</u>

**ATHLETIC DEPARTMENT
MCNEESE STATE UNIVERSITY
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Notes to the Financial Statement (Continued)

**3. OUTSIDE ORGANIZATIONS CREATED
FOR OR IN BEHALF OF THE MCNEESE
STATE UNIVERSITY INTERCOLLEGIATE
ATHLETICS PROGRAM**

The outside organizations created for or in behalf of the McNeese State University Intercollegiate Athletics Program include the McNeese Cowboy Club, Quarterback Club, Petrochem Club, and the Tip Off Club. The McNeese Cowboy Club accounts are maintained in the athletic business office by employees of the athletic department under the direction of the athletic director. The accounts of the Quarterback Club, the Petrochem Club, and the Tip Off Club are maintained by officers of the clubs and reviewed by officials of McNeese State University.