

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

July 14, 1999



Financial and Compliance Audit Division

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

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

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1998**

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.

July 14, 1998

**ATHLETIC DEPARTMENT
MONROE STATE UNIVERSITY
STATE OF LOUISIANA**

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1988**

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statement		2
Financial Statement:		
Statement of Revenues and Expenditures	A	3
Notes to the Financial Statement		4
	Exhibit	
Other Reports Required by NCAA Financial Audit Guidelines:		
Report on Internal Control Based Solely on an Audit of the Athletic Department's Statement of Revenues and Expenditures	A	
Report on Minimum Agreed-Upon Procedures	B	
	Appendix	
Management's Corrective Action Plan and Response to the Finding and Recommendation	A	



DAVID G. KYLE, FIRM, CPA, CFE
LEGISLATIVE AUDITOR

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May 25, 1999

Independent Auditor's Report
on the Financial Statement

DR. ROBERT G. ROBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the accompanying statement of revenues and expenditures of the McNeese State University Interscholastic Athletics Program, a program within McNeese State University for the year ended June 30, 1998. This financial statement is the responsibility of management of McNeese State 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.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the McNeese State University Interscholastic Athletics Program for the year ended June 30, 1998, in conformity with generally accepted accounting principles.

We have also issued reports dated May 20, 1999, on our consideration of the McNeese State University Interscholastic Athletics Program's internal control and our report on minimum agreed-upon procedures.

Respectfully submitted,


David G. Kyle, CPA, CFE
Legislative Auditor

KD:DLH:DSF:as
(2000-00-00)

**ATHLETIC DEPARTMENT
BOSSIERE STATE UNIVERSITY
STATE OF LOUISIANA**

**Statement of Revenues and Expenditures
For the Year Ended June 30, 1988**

	PORTION OF CURRENT FUNDS		TOTAL MEMORANDUM (ONLY)
	UNRESTRICTED -	RESTRICTED	
	ALLEGARY (ENTERPRISE FUND)	ATHLETIC FUNDS	
REVENUES			
Cash receipts	\$288,000		\$288,000
Season ticket sales	514,000		514,000
Sponsorships	48,000		48,000
Sales and services	71,048	\$70,000	141,048
Broadcasting rights	8,400		8,400
Student fees	1,208,194		1,208,194
Gifts	248,100	223,179	471,279
In-kind contributions (note 2)		121,241	121,241
Gaming revenue	83,167	3,007	86,174
Conference revenue	221,244		221,244
Miscellaneous	18,000	112,018	130,018
Total revenues	3,484,334	452,148	3,936,482
EXPENDITURES			
Personal services:			
Salaries	1,121,000	88,040	1,209,040
Retired benefits	270,007	121,241	391,248
Travel	824,104	7,188	831,292
Operating services	223,378	18,000	241,378
Supplies	285,180	21,007	306,187
Professional services	88,000	8,000	96,000
Scholarships	888,001		888,001
Other charges	74,388	4,364	78,752
Guarantees	173,048		173,048
Restoration of indebtedness	171,858		171,858
Interest on indebtedness	78,128		78,128
Capital outlay - equipment	28,188	18,300	46,488
Total expenditures	3,520,327	227,220	3,747,547
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(\$35,993)	\$224,928	(\$11,065)

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statement
For the Year Ended June 30, 1998

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.

1. 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:

**ATHLETIC DEPARTMENT
MCNEESE STATE 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 accrued but are deferred to the succeeding year; and (4) inventories of the Unrestricted - Auxiliary Enterprise 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

Revenues totaling \$101,241 on Statement A reflect gifts in the form of related benefits paid for or in behalf of the athletic department.

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

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

Notes to the Financial Statement (Continued)

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 70894-9123, or by calling (225) 925-9449 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 923-0900.

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.) 11:132. Employees contribute 5% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 16.4% of covered salaries to TRS and 12% 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 for the athletic department to TRS for the years ended June 30, 1995, 1997, and 1998, were \$40,233, \$44,694, and \$48,897, respectively, and to LASERS for the years ended June 30, 1995, 1997, and 1998, were \$16,640, \$15,167, and \$11,516, 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 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.

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.

Contributions by the university are 16.4% of the covered payroll. The participant's contribution (5%), 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.

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

Notes to the Financial Statement (Continued)

Employer contributions for the athletic department to the optional retirement plan for the years ended June 30, 1996, 1997, and 1998, were \$112,618, \$95,602, and \$17,607, respectively.

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

Outside organizations created for or in behalf of the McNeese State University Intercollegiate Athletics Program include the McNeese State University Foundation, McNeese Cowboy Club, Quarterback Club, Petrochem Club, and Tip Off Club. The McNeese State University Foundation is a separate corporation audited by an independent certified public accounting firm. The accounts of the McNeese Cowboy Club, Quarterback Club, Petrochem Club, and Tip Off Club are maintained by officers of the clubs and reviewed by officials of McNeese State University.

**6. CONTRIBUTIONS EXCEEDING TEN PERCENT
OF TOTAL CONTRIBUTIONS**

The Petrochem Club and McNeese State University Cowboy Club, incorporated, made contributions for \$102,000 and \$88,000, respectively, to the university during the fiscal year that exceeded 10% of total contributions to the athletic department for the year.

**OTHER REPORTS REQUIRED BY
NCAA FINANCIAL AUDIT GUIDELINES**

The following pages contain reports on internal control and agreed-upon procedures required by NCAA Financial Audit Guidelines, issued by the National Collegiate Athletic Association. The report on internal control is based solely on the audit of the financial statements 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.



BARRETT G. BUNN, PRESIDENT
LEGISLATIVE AUDITOR

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May 20, 1998

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

DR. ROBERT D. HEBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the statement of revenues and expenditures of the McNeese State University Intercollegiate Athletics Program, a program within McNeese State University, for the year ended June 30, 1998, and have issued our report thereon dated May 20, 1998. 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 McNeese State University Athletic Department for the year ended June 30, 1998, we considered its internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted the following matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the McNeese State University Athletic Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

Lack of Controls Over Athletic-Related Income

For the second consecutive audit, McNeese State University did not have adequate internal controls to assure that athletic-related income was properly approved and reported to the university in accordance with the McNeese State University Athletic Department Policy Manual and NCAA Bylaw 11.3.2.3. Furthermore, the university took no action when management became aware that the additional compensation was paid without the university's approval. The Quarterback Club gave \$30,000 for specific and extraordinary achievement to a legal entity in which the head football coach had a substantial economic interest. The \$30,000 was ultimately distributed to the head football coach and his assistants but was not disclosed to the university by the coach.

LEGISLATIVE AUDITOR

DR. ROBERT D. HEDERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA

Internal Control Report
May 20, 2009
Page 2

The McNeese State University Athletic Department Policy Manual, as well as the coaches' contracts, requires this income to be approved by and reported to the university.

The university should strengthen its internal control over athletic-related income, including additional compensation for specific and extraordinary achievement, to ensure that all income is properly approved and reported to the university in accordance with the McNeese State University Athletic Department Policy Manual and NCAA Bylaw 11.9.2.3. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 1).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement 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 control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of McNeese State University and is not intended to be used by anyone other than management of the university. 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

KD:DLH.DSP:aa

2009 05 20



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STATE OF LOUISIANA
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May 20, 1989

Independent Auditor's Report on
Minimum Agreed-Upon Procedures

DR. ROBERT D. HOBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the statements of revenues and expenditures of the McNeese State University Intercollegiate Athletics Program, a program within McNeese State University, for the year ended June 30, 1988, and have issued our report thereon dated May 20, 1989. As requested by the university, we have also applied certain agreed-upon procedures contained in the NCAA Financial Audit Guidelines related to outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 1988, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 5.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of McNeese State University. 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.

Our procedures and associated findings are as follows:

1. 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. We did not audit the financial statements of the outside organizations.

	Revenues Received July 1, 1987	Receipts	Contributions to Athletic Department	Contributions to Athletic Department	Total	Ending Balance
McNeese State University athletic organizations:						
Country Club	\$15,400	\$105,400	\$8,000	\$4,270	\$133,070	\$78,200
Country Club	15,400	48,750	78,770	21,880	164,800	4,400
Top Golf Club	5,270	54,000	52,850		112,120	4,070
Paradise Club	66,800	66,870	50,000		183,670	68,000
Foundation Accounts		26,770		11,740	38,510	15,800
Total	\$102,870	\$301,790	\$189,620	\$37,910	\$668,190	\$206,470

EXHIBIT B

LEGISLATIVE AUDITOR

DR. ROBERT D. HERBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA

Agreed-Upon Procedures Report

May 20, 1998

Page 2

2. We obtained statements of cash receipts and disbursements from representatives of the outside organizations with written representations as to the fair presentation of the statements. We confirmed directly with the officers of the Quarterback Club, Tip Off Club, and Petrochem Club as to the fair presentation of the statements. For the Cowboy Club and the McNeese State University Foundation, we agreed the statements of cash receipts and disbursements to the organizations' accounting records.

We found no exceptions as a result of this comparison.

3. We compared the cash disbursements made by outside organizations for or in behalf of the athletic department to the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and identified any reconciling items.

We found no exceptions as a result of this comparison.

4. For all outside organizations that had an independent audit, we obtained the independent auditor's reports to identify any reportable conditions relating to the outside organization's internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the McNeese State University Foundation, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 1998. The audit report is dated September 30, 1998, and included no reportable conditions relating to the outside organization's internal control.

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. 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 be reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of McNeese State University or the related outside organizations taken as a whole.

Legislative Auditor

DR. ROBERT G. HERBERT, PRESIDENT
MCNEESE STATE UNIVERSITY
STATE OF LOUISIANA
Agreed-Upon Procedures Report
May 28, 1999
Page 3

This report is intended for the information and use of the management of McNeese State University and is not intended to be used by anyone other than management of the university. 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

KD:DLH/GSP:es

5/28/99

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



RECEIVED
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MAY 12 AM 8:53

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Office of the President

May 6, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94557
Baton Rouge, LA 70804-8357

Dear Dr. Kyle:

RE: OFFICIAL RESPONSE TO AUDIT FINDING (Lack of Controls Over Athletic-Related Income)

Thank you for your letter of April 26, 1999 requesting a response to the above-mentioned audit finding.

Achilles State University has already established procedures to require athletic department staff members to disclose any athletic-related income to the president twice a year. The disclosure at the date of their contract year is for prior written approval and any disclosure for the previous months of actual earnings. The next disclosure, due October 30, to the president, is for any income received the previous six months and any income that is anticipated between November 1 and the contract date. All coaches and athletic administrators will be required to complete these disclosures detailing the above which will be verified by the business office.

Please let me know if I can be of further assistance.

Sincerely,

Handwritten signature of Robert D. Hobert in cursive.

Robert D. Hobert
President

pkc