

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Louisiana Tech University
State of Louisiana
Ruston, Louisiana

January 8, 1997



Financial and Compliance Audit Division

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

**ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

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

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**ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Ruston, 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
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**

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

INTRODUCTION

Louisiana Tech 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 Louisiana Tech University Athletic Department is a part of Louisiana Tech University. The accompanying financial statement presents information only as to the transactions of Louisiana Tech University's 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 Louisiana Tech 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.

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Notes to the Financial Statement (Continued)

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.

2. PAYMENTS-IN-KIND FROM OUTSIDE ORGANIZATION

Included on Statement A are expenditures made for or in behalf of the athletic department by the Louisiana Tech University Foundation, Incorporated, as follows:

Salaries	\$24,471
Travel	27,314
Operating services	41,810
Supplies	37,898
Fund raisers	33,095
Awards	7,521
Equipment	<u>60,673</u>
Total	<u><u>\$232,782</u></u>

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

3. PAYMENTS-IN-KIND FROM OTHERS

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 (private businesses), as follows:

Travel	\$60,426
Operating services	12,284
Supplies	2,967
Equipment	<u>895</u>
Total	<u><u>\$76,572</u></u>

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

The Louisiana Tech University Foundation, Incorporated, is the only outside organization with a purpose that includes support of the Louisiana Tech University Intercollegiate Athletics Program. The Foundation maintains its own accounting records.

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DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
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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 Louisiana Tech 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 noted a certain opportunity for improvement in internal accounting controls. Our minimum agreed-upon procedures and finding 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 and athletic department policies and procedures and by performing tests on the extent of documentation and the flow of revenues and expenditures transactions through the accounting system. We noted the following weakness:

Incomplete Athletic Contract Files and Inadequate Monitoring of Collection of Guarantees

Louisiana Tech University's Athletic Department has not established adequate accountability for game guarantee revenues and penalties for non-performance. Good business practice requires establishment of accountability for all revenues earned and maintenance of complete and orderly records to support accountability. Coaches did not enter into written contracts consistently for conference games to establish financial terms for non-performance. Contracts for non-conference games frequently specify a revenue guarantee for the visiting team; however, our audit procedures disclosed that for the fiscal year ended June 30, 1996, contracts for 13 of 23 non-conference baseball and softball games were not available.

The athletic department has not required coaches to enter into written contracts for non-conference games and has not ensured that all contracts have been obtained and filed in an orderly manner. It also has not designated a person with responsibility to monitor collection of guarantee revenue and penalties for non-performance. These gaps in controls increased the risk of non-collection of \$910,000 of guarantees for the year ended June 30, 1996.

The university should require coaches to enter into written contracts for all games and should ensure that all contracts are filed in an orderly manner to

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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 obtained 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 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, 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. There were no material budget variances.

Contributions Exceeding Ten Percent of Total Contributions

We compiled from the university's accounting records and information provided by university staff a list of contributions made to the athletic department and identified individual contributions that exceeded 10 percent of the total contributions. Louisiana Tech University Foundation, Incorporated, (Foundation) contributed \$571,144 for the year ended June 30, 1996.

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STATE OF LOUISIANA**
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**EXPENDITURES OF OUTSIDE ORGANIZATION MADE
FOR OR IN BEHALF OF THE LOUISIANA TECH
UNIVERSITY INTERCOLLEGIATE ATHLETICS
PROGRAM**

**Review of Financial Activities
of the Outside Organization**

We obtained written representation from management of the university that the Louisiana Tech University Foundation, Incorporated, was the only outside organization with a purpose of providing support to or in behalf of the athletic department. In addition, we obtained written representation from an official of the Louisiana Tech University Foundation, Incorporated, that the summaries of cash disbursements from the athletic accounts of the Foundation that were provided to us reflect fairly the financial support to the university's athletic department for the year ended June 30, 1996. We traced to the university's ledgers the amounts reported by the Foundation as disbursed directly to the university's athletic department. We determined that the remainder of the Foundation's disbursements from its athletic accounts were payments to vendors on behalf of the university's athletic department. We proposed that these be included in the statement of revenues and expenditures (Statement A) in accordance with NCAA Audit Guidelines.

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

Management of Louisiana Tech 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.



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November 6, 1996

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

DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Ruston, Louisiana

We have audited the general purpose financial statements of Louisiana Tech University, a component unit of the State of Louisiana reporting entity, as of June 30, 1996, and for the years ended June 30, 1996 and 1995, and have issued our report thereon dated November 6, 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 Louisiana Tech 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 Louisiana Tech 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 Louisiana Tech University, its Intercollegiate Athletic Program, or related outside organization taken as a whole. Our minimum agreed-upon procedures follow.

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establish accountability. In addition, the athletic director should designate a specific person to monitor collection of all guarantees and penalties. In a letter dated September 4, 1996, Mr. Jim Oakes, Athletic Director, stated that all future game contracts will be completed for all scheduled intercollegiate athletic contests including those where guarantees are not specified. In addition, all contracts must be approved by him, and the responsibilities for maintenance of game contract files and collection of game guarantees will be assigned to the assistant athletic director.

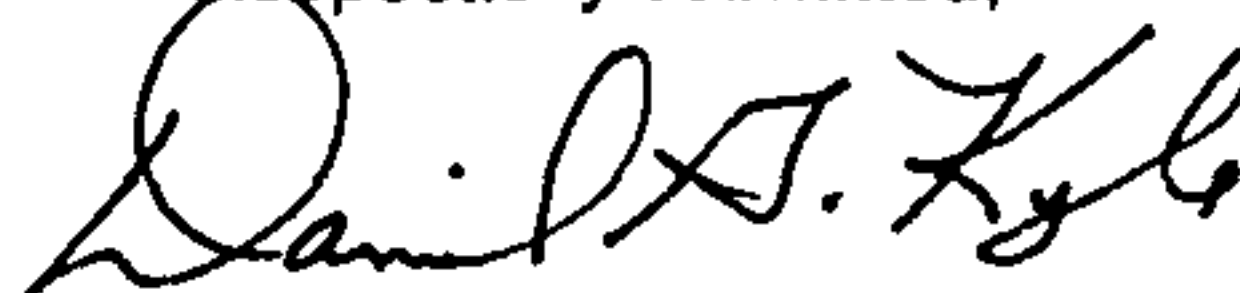
Booster Group Activities

We reviewed the university's procedures for monitoring booster group activities. From interviews with Foundation and university staff, we determined that, except for direct gifts to the university, the only significant sources of external support for the athletic department are the Louisiana Tech University Foundation, Incorporated, and businesses that loan automobiles for the use of coaches. The Louisiana Tech University Foundation, Incorporated, maintains its own accounting records. The university's athletic director and comptroller receive audited annual financial statements from the Foundation as a means to monitor spending in support of athletics. The Athletic Director's office maintains records of automobiles provided for coaches. We obtained estimates of the fair market values for use of the automobiles and proposed inclusion of those values in Statement A in accordance with NCAA Audit Guidelines.

Independent Audit of Outside Organization

The financial statements of the Louisiana Tech University Foundation, Incorporated, are being audited by an independent certified public accounting firm for the year ended June 30, 1996. The audit has not been completed.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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[LTU-NCAA]

**ATHLETIC DEPARTMENT
LOUISIANA TECH 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

Student fees	\$1,955,489
Tickets sales	392,592
Post season play	73,565
Guarantees	908,000
Foundations, private gifts	299,498
Corporate sponsorships	129,026
Program sales	10,864
Concessions	24,985
Payments-in-kind (notes 2 and 3)	309,354
Conference distribution	213,068
Vending	74,191
College work study	4,296
Other	169,696
Total revenues	<u>4,564,624</u>

EXPENDITURES

Personal services:	
Salaries	1,296,263
Related benefits	295,445
Travel	692,189
Operating services	276,542
Supplies	296,630
Administrative charge	105,549
Fund raisers	33,095
Professional services	116,723
Medical insurance/claims	111,212
Other charges:	
Awards	7,576
Guarantees	273,550
Scholarships	827,306
Equipment	73,082
Total expenditures	<u>4,405,162</u>

EXCESS OF REVENUES OVER EXPENDITURES

\$159,462

The accompanying notes are an integral part of this statement.