

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Athletic Department
Louisiana Tech University
State of Louisiana
Ruston, Louisiana**

February 7, 1996



Financial and Compliance Audit Division

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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

**Financial Statement
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1995**

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.

February 7, 1996

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

**Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1995**

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

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October 18, 1995

Independent Auditor's Report
on the Financial Statement

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

We have audited the accompanying statement of revenues and expenditures of the Louisiana Tech University Intercollegiate Athletics Program, a program within Louisiana Tech University for the year ended June 30, 1995. This financial statement is the responsibility of management of Louisiana Tech 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 Louisiana Tech University Intercollegiate Athletics Program, a program within Louisiana Tech University. As such, the financial statement is not intended to and does not present fairly the financial position and changes in fund balances of Louisiana Tech 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 Louisiana Tech University Intercollegiate Athletics Program for the year ended June 30, 1995, in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

**DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**
Audit Report, June 30, 1995

We have also issued reports dated October 18, 1995, on our consideration of the Louisiana Tech University Intercollegiate Athletics Program internal control structure and our report on minimum agreed-upon procedures.

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

CAC:MAN:mf
(LTU-NCAA)

**ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
(A PORTION OF) CURRENT - UNRESTRICTED -
AUXILIARY ENTERPRISE FUND**

**Statement of Revenues and Expenditures
For the Year Ended June 30, 1995**

REVENUES

Student fees	\$2,220,254
Ticket sales	423,157
Post season play	112,064
Guarantees	661,472
Foundations, private gifts	259,995
Corporate sponsorships	33,250
Program sales	19,285
Concessions	15,895
Payments-in-kind (notes 2 and 3)	216,168
Conference distribution	207,888
Vending	80,876
College work study	7,682
Other	186,803
Total revenues	<u>4,444,789</u>

EXPENDITURES

Personal services:	
Salaries	1,294,129
Related benefits	284,638
Travel	675,612
Operating services	353,979
Supplies	333,596
Administrative charge	110,568
Fund raisers	34,365
Professional services	124,239
Medical insurance/claims	20,329
Other charges:	
Awards	2,562
Guarantees	395,046
Scholarships	891,469
Equipment	11,722
Total expenditures	<u>4,532,254</u>

**EXCESS OF EXPENDITURES OVER
REVENUES (note 5)**

(\$87,465)

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statement
For the Year Ended June 30, 1995

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 the Louisiana Tech 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 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 - Unrestricted

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 General Fund and 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
LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**
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	\$19,063
Travel	67,060
Operating services	21,687
Supplies	56,312
Fund raisers	34,365
Medical	4,946
Awards	2,562
Equipment	10,173
	<hr/>
Total	<u>\$216,168</u>

3. PAYMENTS-IN-KIND FROM OTHERS

Included on Statement A are payments-in-kind, in the form of loans of automobiles to coaches, the estimated fair value of which are recognized as outside funds received and travel expenditures for \$48,115.

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

**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.

**5. EXCESS OF EXPENDITURES OVER
REVENUES**

As shown on Statement A, the Louisiana Tech University Intercollegiate Athletics Program experienced a deficit (expenditures over revenues) totaling \$87,465 for the year ended June 30, 1995. The deficit for fiscal year 1994-95 was due to anticipated revenues from a corporate sponsor being inadvertently delayed thus causing a temporary deficit. Receipt of these funds is anticipated in the immediate future.

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OTHER REPORTS REQUIRED BY
NCAA FINANCIAL AUDIT GUIDELINES

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



DANIEL G. KYLE, PH.D., CPA, CFE
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October 18, 1995

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

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

We have audited the statement of revenues and expenditures of the Louisiana Tech University Intercollegiate Athletics Program for the year ended June 30, 1995, and have issued our report thereon dated October 18, 1995.

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.

The management of Louisiana Tech University Athletic Department 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 internal control structure policies and procedures. The objectives of an internal 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 the financial statement 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 structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statement of Louisiana Tech University Athletic Department for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA TECH UNIVERSITY

STATE OF LOUISIANA

Internal Control Report

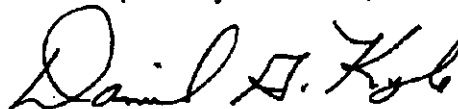
December 18, 1995

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Our comments on internal control structure are intended for the information and use of 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

CAC:MAN:mf

[LTU-NCAA]

EXHIBIT A



OFFICE OF
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October 18, 1995

Independent Auditor's Report on
Minimum Agreed-Upon Procedures

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

We have audited the statement of revenues and expenditures of the Louisiana Tech University Intercollegiate Athletics Program for the year ended June 30, 1995, and have issued our report thereon dated October 18, 1995. As requested by the university, we have also applied certain minimum agreed-upon procedures contained in the *NCAA Financial Audit Guidelines* to the accounting records of Louisiana Tech 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, 1995, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. These 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 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, 1995, 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 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, 1994, and June 30, 1995, 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

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Agreed-Upon Procedures Report
December 18, 1995
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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, 1995. There were no material budget variances. However, the General Fund made expenditures of \$147,000 for the athletic department. This amount was included in the total state support which caused the university to exceed the maximum amount of state support available for athletic programs as noted below.

Budget Restriction for Athletic Programs

Louisiana Tech University failed to comply with the Board of Regents' budget restriction for state funds used to support athletic programs. The Board of Regents, in a memorandum dated June 30, 1992, and addressed to presidents, chancellors, and business officers of systems affected, established budget restrictions for university athletic programs. The memorandum established a maximum amount of state funding for athletic programs, including student tuition and fees. In subsequent years, the Board of Regents submitted, by memorandum to the presidents of higher education systems, a schedule of maximums by university for purposes of budget preparation. The maximum amount of state funds established by the Board of Regents for Louisiana Tech University was \$2,073,255 for the fiscal year 1994-95. For the fiscal year 1994-95, the university transferred and expended \$2,220,255 in state funds to its athletic programs, which resulted in the university exceeding the amount allowed by the Board of Regents by \$147,000. In addition, failure to comply with the Board of Regents' budget restrictions reduces the amount available for expenditure in other university programs.

The university should comply with the budget restrictions established by the Board of Regents. In a letter dated October 24, 1995, Dr. Daniel D. Reneau, President of Louisiana Tech University, referred to a letter from Dr. James Caillier, System President for the University of Louisiana System, relative to the board's position concerning allocation of athletic support for universities under its jurisdiction. The letter from Dr. Caillier states that the University of Louisiana System approved the expenditures in question which allowed the university to exceed the Board of Regents' maximum state support for intercollegiate athletics. Dr. Caillier provides that the request was approved "in accordance with Article VIII, Section 12 of the Constitution of Louisiana; and L.R.S. 17:3351.A(3), which in part state that 'appropriations for each of the institutions

LEGISLATIVE AUDITOR

LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA
Agreed-Upon Procedures Report
December 18, 1995
Page 3

shall be made to their managing board,' and the management boards shall ' . . . expend or allocate for expenditure to the institutions under their jurisdiction all monies made available for purposes of the board and/or its institutions . . .'" In addition, he states that the Board of Regents' maximum state support for athletics for the fiscal year 1994-95 totaled \$15.7 million for the University of Louisiana System and since the system only transferred \$14.6 million, then the University of Louisiana System and each of its institutions complied with the Board of Regents' policy.

Additional Comments: Article VIII, Section 5 provides, "The Board of Regents is created as a body corporate. It shall plan, coordinate, and have budgetary responsibility for all public higher education . . ." Since the Board of Regents establishes each university's maximum state support for intercollegiate athletics each fiscal year, it is our opinion that expenditures by a university that exceeds the maximum should be approved by the Board of Regents.

**Contributions Exceeding Ten Percent
of Total Contributions**

We compiled from the university accounting records and information provided by university staff a list of contributions made to the athletic department and identified individual contributions that exceeded ten percent of the total contributions. Louisiana Tech University Foundation, Incorporated, contributed \$432,042 for the year ended June 30, 1995.

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

**Review of Financial Activities
of Outside Organizations**

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

LEGISLATIVE AUDITOR

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**
Agreed-Upon Procedures Report
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Page 4

financial support to the university's athletic department for the year ended June 30, 1995. 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.

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.

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, we did note certain opportunities for improvement in internal accounting controls which we discussed with management. Had we performed additional procedures or had we made an audit of the financial statements of the related outside organization 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 Louisiana Tech University or the related outside organization taken as a whole.

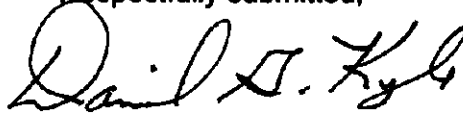
EXHIBIT B

LEGISLATIVE AUDITOR

**LOUISIANA TECH UNIVERSITY
STATE OF LOUISIANA**
Agreed-Upon Procedures Report
December 18, 1995
Page 5

This report is solely for the information and use of 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,

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

CAC:MAN:mf

[LTU-NCAA]

EXHIBIT B