

ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 23, 2022

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

February 16, 2022

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. MARCUS JONES, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Natchitoches, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as President of Northwestern State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's athletic department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2021. University management is responsible for the accuracy of the Statement (unaudited) and the related note (unaudited) and the compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Management of the University has acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The University specified a threshold of \$2,500 for reporting exceptions, and the agreed-upon procedures described below were not applied to any transactions that fell under this amount, nor did we report any exceptions noted below this amount. In addition, procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

The procedures that we performed and our findings are as follows:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussion with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.

2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:
- (a) We randomly selected one cash receipt batch sheet of ticket sales and followed it through the University's cash control system to determine adherence to established policies and procedures.
 - (b) We selected the 10 largest athletic department cash disbursement transactions and followed them through the University's accounting system to determine adherence to established policies and procedures.
 - (c) We inquired of and observed athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

As a result of these procedures, we noted that the University did not adhere to established policies and procedures regarding the maintenance and reconciliation of the athletic department general ledger to the University's general ledger. In seven of the 10 largest cash disbursement transactions, we noted the following:

- Memberships and dues non-program specific were overstated, and football was understated by \$15,000;
- Team travel non-program specific was overstated by \$35,318, football was understated by \$10,649, men's basketball was understated by \$10,134, and other sports were understated by \$14,535;
- Other operating expenses non-program specific were overstated by \$11,376; and
- Medical expenses and insurance non-program specific were overstated by \$19,604, men's basketball was understated by \$2,456, women's basketball was understated by \$2,456, and other sports were understated by \$26,068.

Statement A was corrected.

University management requested that the following information be presented: "Northwestern State University (NSU) Athletics is a department of Northwestern State University under the control of the University of Louisiana System. The Athletic Business Office and the Athletics Administration Office are the subunits of the NSU Athletic department which perform the University's operational functions stated in this review. The Athletic department has experienced key personnel turnover in the Athletic Business Office with the appointment of a new Athletic Business Manager since the conclusion of the previous Agreed Upon Procedures Report."

3. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program and performed procedures to determine the University's adherence to these procedures.

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the accuracy of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2021.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

As a result of these procedures, we noted that \$14,971 of athletic student aid was reported as football rather than non-program specific and \$9,998 of other operating expense was reported as football rather than non-program specific. Statement A was corrected.

3. We compared and agreed a sample of three operating revenue receipts and a sample of three expense disbursements obtained from the supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account greater than 10% of total revenues or expenses for June 30, 2021, to June 30, 2020, amounts and budget estimates, to identify variations greater than 10%.

We reported the analysis in Appendix A to this report.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. Based on the University's methodology for allocating student fees to the intercollegiate athletics program, we compared and agreed student fees reported in the Statement to student enrollment. We were to obtain explanations from the University regarding any variances in excess of 5%. We also recalculated the totals. Since the athletic department reported that an allocation of student fees should be

countable as generated revenues, we recalculated the totals of its methodology for supporting that the athletic department is able to count each sport, and tied the calculation to supporting documents.

The University allocates the student fees to each sport based on actual expenses. We compared the student fee revenue allocated to each sport to the amount of student fees actually spent on each sport for the fiscal year. The University did not properly allocate student fees to each sport based on actual expenses, resulting in \$1,427,904 overstatement of non-program specific, \$272,161 understatement of football, \$112,326 understatement of men's basketball, \$132,128 understatement of women's basketball, and \$911,289 understatement of other sports. Statement A was corrected. In comparing student fees reported in the Statement to student enrollment, we identified no variances that exceed 5%.

2. We compared direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

The University did not properly allocate direct institutional support to each sport based on actual expenses, resulting in a \$354,842 understatement of non-program specific, \$45,971 overstatement of football, \$18,705 overstatement of men's basketball, \$142,486 overstatement of women's basketball, and \$147,680 overstatement of other sports. Statement A was corrected.

3. We compared indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation. We recalculated the totals.

As a result of these procedures, we noted that a portion of expenses used to calculate indirect institutional support was based on fiscal year 2020 totals, resulting in an overstatement of indirect institutional support revenues and expenses of \$2,657. Statement A was corrected.

4. Based on the relevant terms and conditions of agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period, we compared and agreed the related revenues to the general ledger and the Statement. We recalculated the totals.

As a result of these procedures, we noted that \$32,408 in revenues related to the rental of athletic facilities was incorrectly reported as royalties, licensing, advertisement, and sponsorship revenue instead of other operating revenues. Statement A was corrected.

**MINIMUM AGREED-UPON PROCEDURES
FOR EXPENSES**

1. We selected a sample of 10% of student athletes from the listing of university student aid recipients during the reporting period. We obtained individual student-account detail for each selection and compared total aid in the University's student system to the student detail in the NCAA Compliance Assistant software (CA). We performed a check of each student selected to ensure their information was reported accurately in the NCAA's CA software using the criteria found in 2021 NCAA Agreed-Upon Procedures. We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period. We selected a sample of three coaches' contracts of football and men's and women's basketball and a sample of two staff/administrative personnel and perform the following:
 - (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
 - (b) We obtained and inspected payroll summary registers for the reporting year for each selection.
 - (c) We compared and agreed payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.
 - (d) We compared and agreed the totals recorded to the employment contracts executed for the sample selected.
 - (e) We recalculated the totals.

As a result of the procedures to recalculate the totals and select the sample, we noted that coaching salaries, benefits, and bonuses paid by the University and related entities of \$35,885 for women's basketball and \$39,252 for other sports was incorrectly reported as support staff/administrative compensation, benefits, and bonuses paid by the University and related entities as non-program specific. Statement A was corrected.

3. We compared and agreed the University's team travel policies to existing University and NCAA-related policies. We also obtained the general ledger detail and compared the detail to the total expenses reported and recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

1. We compared the total outstanding University debt to supporting documentation and the University's general ledger.

As a result of these procedures, we noted that all athletics-related debt is held by the Demons Unlimited Foundation (DUF) and all other outstanding debt is held by the University. The University's non-athletics-related other debt was erroneously reported as total athletics-related debt, resulting in an overstatement of total athletics-related debt by \$614,457. Additionally, total institutional debt did not equal the sum of amounts held by both the University and DUF, resulting in an overstatement of total institutional debt by \$524,948.

2. We agreed the total fair market value of University endowments to supporting documentation and the University's general ledger.

As a result of these procedures, we noted that all athletics-dedicated endowments are held by the DUF and all other endowments are held by the University. Athletics-dedicated endowments inappropriately included the DUF money market accounts, resulting in an overstatement of athletics-dedicated endowments by \$73,198. Additionally, athletics-dedicated endowments were not included in the total for institutional endowments, resulting in an understatement of institutional endowments by \$2,360,568.

3. We were to obtain a schedule of athletics related capital expenditures made by athletics, the university, and affiliated organizations during the reporting period, compare the general ledger detail to the total expenses reported, select a sample of three transactions to validate the existence of the transactions and the accuracy of their recording, and recalculate the totals.

We reviewed the general ledger detail and confirmed that the University had no athletics related capital expenditures, therefore we did not select a sample of transactions to validate the existence of the transactions and accuracy of their recording.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the note to the Statement.

We found no exceptions as a result of these procedures (see note 1 to the Statement).

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that the DUF is the only outside organization created for or on behalf of the athletic department.
2. For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The DUF statements were audited by an independent certified public accountant for the year ended June 30, 2021. The audit report dated December 16, 2021, included no significant deficiencies on the outside organization's internal control.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division I financial reporting to calculate the NCAA revenue distributions, the following procedures were performed:
 - (a) For Grants-in-Aid, we compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report from the Compliance Assistant system. We were to inquire about any discrepancies and report the justification.

We found no discrepancies as a result of these procedures.

- (b) We compared current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. We were to inquire and document an explanation for any variance greater than +/- 4%.

We found no exceptions as a result of these procedures and identified no variances that exceed +/- 4%.

- (c) We obtained the University's Sports Sponsorship and Demographics Form submitted to the NCAA for the reporting year and validated that the University's countable NCAA sports reported met the minimum requirements set forth in Bylaw 20.9.6.3, for the number of contests and participants. Once the countable sports were confirmed, we ensured that

the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

We found no exceptions as a result of these procedures. As a result of COVID-19 and its impact on institutional sport seasons, NCAA Division I Council Coordination Committee has approved a blanket waiver of the minimum sports sponsorship requirements for the 2020-2021 academic year.

- (d) We compared current year number of sports sponsored to prior year reported total per the Membership Financial Report Submission. We were to inquire and document an explanation for any variance.

We found no exceptions as a result of these procedures and identified no variances in the number of sports sponsored.

- (e) We agreed the total number of student athletes, who during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated from the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions as a result of these procedures.

- (f) We compared current year Pell Grants total to prior year reported total per the Membership Financial Report Submission. We were to inquire and document an explanation for any variance greater than +/- 20 grants.

We found no exceptions as a result of these procedures and identified no variances that exceed +/- 20 grants.

An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department or on its compliance with NCAA Bylaw 3.2.4.17 or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the President of the University and is not intended to be, and should not be, used by anyone other than this specified party. 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 blue ink, appearing to read "Mike Waguespack", with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

EJB:RJM:BH:EFS:aa

NSUNCAA2021

UNAUDITED

Statement A

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

**Statement of Revenues and Expenses
For the Year Ended June 30, 2021**

| | FOOTBALL | MEN'S BASKETBALL | WOMEN'S BASKETBALL | OTHER SPORTS | NON- PROGRAM SPECIFIC | TOTAL |
|--|--------------------|---------------------|-----------------------|--------------------|-----------------------------|-------------------|
| REVENUES | | | | | | |
| Operating revenues: | | | | | | |
| Ticket sales | \$92,767 | \$25,977 | \$2,007 | \$34,052 | \$56,824 | \$211,627 |
| Student fees | 701,717 | 168,098 | 163,050 | 1,054,200 | 105,383 | 2,192,448 |
| Direct institutional support | 1,342,928 | 418,760 | 457,396 | 1,885,573 | 1,508,617 | 5,613,274 |
| Indirect institutional support | 17,270 | 2,467 | 2,467 | 59,213 | 727,649 | 809,066 |
| Guarantees | | 383,000 | 57,000 | 17,000 | | 457,000 |
| Contributions | 80,181 | 81,260 | 38,712 | 185,819 | 678,629 | 1,064,601 |
| In-kind | 7,500 | 8,600 | 6,068 | 7,920 | 6,138 | 36,226 |
| NCAA distributions | | | | | 189,549 | 189,549 |
| Conference distributions (non media and non bowl) | | | | | 363,905 | 363,905 |
| Program, novelty, parking, and concession sales | 3,230 | | 1,016 | 21,095 | 1,065 | 26,406 |
| Royalties, licensing, advertisement, and sponsorships | 5,000 | 7,500 | 3,000 | 18,500 | 782,765 | 816,765 |
| Sports camp revenues | | 30,259 | 10,254 | 513 | 5,175 | 46,201 |
| Athletics restricted endowment and investments income | | | | | 488,550 | 488,550 |
| Other operating revenue | | 3,903 | | | 220,565 | 224,468 |
| Total operating revenues | <u>2,250,593</u> | <u>1,129,824</u> | <u>740,970</u> | <u>3,283,885</u> | <u>5,134,814</u> | <u>12,540,086</u> |
| EXPENSES | | | | | | |
| Operating expenses: | | | | | | |
| Athletic student aid | 1,710,760 | 343,385 | 457,346 | 2,454,958 | 14,971 | 4,981,420 |
| Guarantees | | 7,673 | | 8,139 | | 15,812 |
| Coaching salaries, benefits, and bonuses paid by the University and related entities | 671,791 | 302,634 | 297,243 | 833,441 | 126,577 | 2,231,686 |
| Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities | | | | | 1,382,345 | 1,382,345 |
| Recruiting | 19,298 | 497 | 855 | 8,957 | 29,217 | 58,824 |
| Team travel | 44,332 | 129,210 | 48,953 | 365,620 | 89,464 | 677,579 |
| Sports equipment, uniforms, and supplies | 97,426 | 16,697 | 15,337 | 118,666 | 125,755 | 373,881 |
| Game expenses | 2,543 | 850 | 490 | 2,724 | 159,125 | 165,732 |
| Fundraising, marketing, and promotion | 19,092 | 38,784 | 12,010 | 20,761 | 235,020 | 325,667 |
| Sports camp expenses | | 16,092 | 5,692 | 1,105 | | 22,889 |
| Athletic facilities debt service, leases, and rental fees | 154,964 | | | 14,685 | | 169,649 |
| Direct overhead and administrative expenses | 34,620 | 549 | 13,469 | 21,369 | 275,102 | 345,109 |
| Indirect institutional support | 17,270 | 2,467 | 2,467 | 59,213 | 727,649 | 809,066 |
| Medical expenses and insurance | 5,799 | 2,600 | 2,536 | 26,928 | 103,832 | 141,695 |
| Memberships and dues | 15,285 | 168 | 25 | 2,170 | 22,510 | 40,158 |
| Student-athlete meals (non-travel) | 27,537 | 3,268 | 1,152 | 7,751 | 27,624 | 67,332 |
| Other operating expenses | 50,304 | 39,634 | 19,529 | 21,247 | 237,277 | 367,991 |
| Total operating expenses | <u>2,871,021</u> | <u>904,508</u> | <u>877,104</u> | <u>3,967,734</u> | <u>3,556,468</u> | <u>12,176,835</u> |
| Excess transfers to institution | | | | | | |
| Total expenses | <u>2,871,021</u> | <u>904,508</u> | <u>877,104</u> | <u>3,967,734</u> | <u>3,556,468</u> | <u>12,176,835</u> |
| EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENSES | <u>(\$620,428)</u> | <u>\$225,316</u> | <u>(\$136,134)</u> | <u>(\$683,849)</u> | <u>\$1,578,346</u> | <u>\$363,251</u> |

NOTE TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property, 3 years for software with an acquisition cost of \$1,000,000 or more, and 3 to 10 years for internally-generated software with development costs of \$1,000,000 or more. All departments within the University follow standardized policies and procedures prescribed by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The University has no debt associated with its Athletic Department's capital assets.

MAJOR REVENUE AND EXPENSE ANALYSIS

(UNAUDITED)

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

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

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2021**

| Accounts Exceeding 10% Threshold and Variation Greater Than 10% | Fiscal Year 2021 | Fiscal Year 2020 | Increase/ (Decrease) | Percent Variance |
|--|-----------------------------|-----------------------------|---------------------------------|-----------------------------|
|--|-----------------------------|-----------------------------|---------------------------------|-----------------------------|

Operating Revenues per Statement A

No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.

Operating Expenses per Statement A

No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.

| Budget | Fiscal Year 2021 - Actual | Fiscal Year 2021 - Budget | Increase/ (Decrease) | Percent Variance | |
|------------------------------|--------------------------------------|--------------------------------------|---------------------------------|-----------------------------|---|
| Direct Institutional Support | \$5,613,274 | \$4,470,487 | \$1,142,787 | 26% | 1 |
| Athletic Student Aid | \$4,981,420 | \$3,695,578 | \$1,285,842 | 35% | 2 |

NOTES:

1. The budget did not include \$1,142,787 in tuition waivers.
2. The budget did not include \$1,142,787 in tuition waivers, nor the \$157,107 in grant student aid expenditures.