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January 17, 2017

Guy Bailey, Ph.D., President
The University of Texas Rio Grande Valley
2102 Treasure Hills Blvd., Suite 3.115
Harlingen, Texas 78550

Dear President Bailey:

We have completed our Report on the Application of the National Collegiate Athletic Association Agreed-Upon Procedures for the Intercollegiate Athletics Program at The University of Texas Rio Grande Valley for the Fiscal Year Ended August 31, 2016. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided to us by the various departments at The University of Texas Rio Grande Valley.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

cc: Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs
Rick Anderson, Executive Vice President for Finance & Administration
Christopher King, Director of Athletics
James Martinez, Senior Associate Athletic Director for Business Operations
Eloy Alaniz, Chief Audit Executive - UTRGV
Isabel Benavides, Assistant Director - Audits - UTRGV

**The University of Texas Rio Grande Valley
Department of Intercollegiate Athletics**

**Independent Auditor's Report on the
Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2016**



January 2017

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST SIXTH STREET, SUITE B.140E
AUSTIN, TX 78701
(512) 499-4390



**The University of Texas Rio Grande Valley
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2016**

**INDEPENDENT¹ AUDITOR'S REPORT
ON THE APPLICATION OF AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the President of The University of Texas Rio Grande Valley (UTRGV) solely to assist UTRGV management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTRGV's Department of Intercollegiate Athletics (Athletics) was in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the Fiscal Year (FY) ended August 31, 2016. Management from UTRGV² is responsible for UTRGV's SRE and 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 the specified users of the report. 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 findings are explained in the following pages. Reportable findings are defined as errors or misclassifications equal to or greater than one percent of total revenues or total expenses. Also attached to this report are the following appendices:

- *Appendix A*, SRE of Athletics for the Fiscal Year Ended August 31, 2016;
- *Appendix B*, Findings and Recommendations;
- *Appendix C*, Follow-Up on Prior Year's Recommendations (not applicable);
- *Appendix D*, Notes to the Statement of Revenues and Expenses;
- *Appendix E*, Analysis of Budget to Actual Major Revenue and Expense Categories; and
- *Appendix F*, FY15 to FY16 Variance Analysis of Major Revenue and Expense Categories (not applicable).

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

Agreed-Upon Procedures Related to all Revenues and Expenses

1. Agreed the amounts reported on the SRE to UTRGV's general ledger.

We identified material errors in the preliminary SRE during the initial tie out process. We determined that \$1,347,840.30 of direct institutional support was listed on the supporting schedules but not listed on the SRE and that \$135,599.57 in expenses had been inadvertently omitted from the SRE. Capital expenditures of \$208,078.46 were incorrectly included in the SRE. We found the omission of \$129,833.18 for Athletic Academic Advisors paid by the institution and College Work-Study portion not paid by Athletics. Additionally, during this process, we asked Athletics to reclassify \$426,914.86 from Other Operating Expenses to the appropriate SRE line items.

¹ The NCAA requires this agreed-upon procedures engagement to be conducted by an independent accountant. For purposes of this engagement, the NCAA considers the UT System Audit Office to be independent.

² UTRGV was created by the Texas Legislature in 2013, which combined the resources and assets of UT Brownsville and UT Pan American into a single University of Texas institution. UTRGV has retained a NCAA Division I athletic program with much of the same personnel and athletic teams. The first day of class at UTRGV was August 31, 2015.



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We received a revised SRE and revenues and expenses reported on this revised SRE materially agreed to the amounts reported in UTRGV's general ledger accounts. In addition, there were certain items recorded on the SRE that were not required to be recorded in athletic accounts, such as gifts-in-kind. The NCAA requires that these items be reported on the SRE to fully reflect the operations of the Athletics Department.

*As a result of procedures performed, we identified various adjustments that were made to the SRE as noted in the respective sections below. All the adjustments from the original SRE to the final SRE resulted in an increase of \$1,353,606.96 in excess revenues over expenses. Management agreed and recorded these as well as four other non-material adjustments in the SRE located in **Appendix A** of this report. The specific adjustments identified and recorded are described for the affected SRE revenue and expense categories in the results below.*

2. Performed the following procedures for all revenue and expense categories applicable to the SRE:
 - a. Compared and agreed each operating revenue and expense category reported in the SRE during the reporting period to supporting schedules provided by the institution.
 - b. Compared and agreed a sample of operating revenue receipts and operating expenses obtained from the above supporting schedules to adequate supporting documentation.
 - c. Compared each major revenue and expense account over 10% of the total revenues/expenses to budget estimates. Obtained and documented an understanding of any significant variations over the lesser of \$1M or 10% (see **Appendix E**).
 - d. Recalculated totals.

As part of the procedure described in #1 above and from comparing and agreeing each operating revenue and expense category reported on the SRE during the reporting period to supporting schedules provided by the institution, we identified five material adjustments that management agreed to record in the SRE. These are the same adjustments described in item #1 above. The specific adjustments are described for the affected SRE line items in the results below.

3. Identified and documented aspects of UTRGV's internal control structure that is unique to Athletics. Tested specific elements of the control environment and accounting systems that (1) are unique to Athletics and (2) have not been addressed in connection with the audit of the institution's financial statements.

No material exceptions were noted as a result of this procedure.

4. Identified all intercollegiate athletics related affiliated and outside organizations and obtained those organizations' financial statements for the reporting period.

No material exceptions were noted as a result of this procedure.



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Agreed-Upon Procedures Related to Revenues

Ticket Sales

1. Compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UTRGV in the SRE and the related attendance figures and recalculated totals.

No material exceptions were noted as a result of this procedure.

Student Fees

2. Compared and agreed student fees reported by UTRGV in the SRE.
3. Obtained and documented an understanding of the institution's methodology for allocating student fees to intercollegiate athletics programs.
4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculated the totals of their methodology for supporting that they are able to count each sport. Tied the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.

No material exceptions were noted as a result of these procedures. Procedure 4 was not applicable.

Direct State or Other Government Support

5. The agreed-upon procedures require that we compare direct state or other government support recorded by UTRGV during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculated totals.

Athletics did not receive direct state or other government support.

Direct Institutional Support

6. Compared the direct institutional support recorded by UTRGV during the reporting period with institutional supporting budget transfers, documentation, and other corroborative supporting documentation and recalculated totals.

We identified the following errors and omissions in this SRE line item:

- *During the initial tie out process, we determined that \$1,347,840.30 of direct institutional support was listed on the supporting schedules but not included on the SRE.*
- *The institutional portion of college work-study of \$31,250.15 was omitted.*
- *The salaries and benefits of the athletic academic advisors paid by the institution on behalf of Athletics of \$98,583.03 were omitted.*
- *Direct institutional support of \$121,568.30 was incorrectly included in contributions.*
- *Direct institutional support of \$65,622.54 was omitted.*

*This SRE category was corrected in the final SRE that appears in **Appendix A** of this report. See the recommendation in **Appendix B**.*



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Transfers Back to Institution

7. Compared the transfers back to institution with permanent transfers back to institution from the athletics department and recalculated totals.

Athletics did not provide a transfer of funds back to the institution.

Indirect Institutional Support

8. Compared the indirect institutional support recorded by UTRGV during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculated totals.

*No material exceptions were noted as a result of this procedure; however, it was determined that the indirect amount recorded was understated by \$42,307.74. This category was corrected in the final SRE that appears in **Appendix A** of this report.*

Guarantees

9. Selected a sample of settlement reports for away games during the reporting period and agreed each selection to UTRGV's general ledger and/or the SRE and recalculated totals.
10. Selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. Compared and agreed each selection to UTRGV's general ledger and/or the SRE and recalculated totals.

No material exceptions were noted as a result of these procedures.

Contributions

11. Obtained and reviewed supporting documentation for any contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period and recalculated totals.

*No material exceptions were noted as a result of this procedure; however, we determined that \$121,568.30 of direct institutional support was miscoded to this line item. Additionally, \$4,086.00 of other operating revenue was miscoded to this SRE line item. This category was corrected in the final SRE that appears in **Appendix A** of this report. Also, see Note 2 in **Appendix D** for details.*

In-Kind

12. Compared the in-kind recorded by UTRGV during the reporting period with a schedule of in-kind donations and recalculated totals.

*In-kind amounts were recorded on the revenue side, but the corresponding expenses of \$90,387.50 were not recorded. Additionally, we adjusted the revenue amount downward by \$12,862.50 as there was no supporting documentation for that amount. This category was corrected in the final SRE that appears in **Appendix A** of this report.*



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Compensation and Benefits Provided by a Third-Party

13. Obtained the summary of revenues from affiliated and outside organizations (Summary) as of the end of the reporting period from UTRGV. Selected a sample of funds from the Summary and compared and agreed each selection to supporting documentation, UTRGV's general ledger and/or the Summary and recalculated totals.
14. If the third party was audited by independent auditors, obtain the related independent auditors' report.

Athletics personnel did not receive compensation or benefits directly from a third-party that is guaranteed by the institution; however, certain athletic personnel have the use of courtesy vehicles which are provided by third parties. No material exceptions were noted.

Media Rights

15. Obtained and inspected agreements to understand UTRGV's total media (broadcast, television, radio) rights received by UTRGV or through their conference offices as reported in the SRE.
16. Compared and agreed the media right revenues to a summary statement of all media rights identified, if applicable, and UTRGV's general ledger and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Revenues, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Revenues, no testing procedures were performed.

NCAA Distributions

17. Compared the amounts recorded in the revenue and expense reporting to UTRGV's general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals.

No material exceptions were noted as a result of this procedure.

Conference Distributions

18. Obtained and inspected agreements related to UTRGV's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.
19. Compared and agreed the related revenues to UTRGV's general ledger and/or the SRE and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Revenues, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Revenues, no testing procedures were performed.



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Program, Novelty, Parking and Concessions Sales

20. Compared the amount recorded in the revenue reporting category to UTRGV's general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Revenues, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Revenues, no testing procedures were performed.

Royalties, Licensing, Advertisements, and Sponsorship

21. Obtained and inspected agreements related to UTRGV's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.
22. Compared and agreed the related revenues to UTRGV's general ledger and/or the SRE and recalculated totals.

No material exceptions were noted as a result of these procedures.

Sports Camp Revenues

23. Inspected sports-camp contracts between UTRGV and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the UTRGV's methodology for recording revenues from sports-camps.
24. Obtained schedules of camp participants and selected a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to UTRGV's general ledger and/or the SRE and recalculated totals.

No material exceptions were noted as a result of these procedures.

Athletics Restricted Endowment and Investment Income

25. Obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions.
26. Compared and agreed the classification and use of endowments and investment income reported in the SRE during the reporting period to the uses of income deferred within the related endowment agreement and recalculated totals.

The initial SRE amount for this line item was \$0.00. Therefore, it was determined that Athletics omitted revenue of \$41,853.57. According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Revenues, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Revenues, no further testing procedures were performed.

Other Operating Revenue

27. Performed minimum agreed-upon procedures referenced for all revenue categories and recalculated totals (see page 1).



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During testing we found that \$4,086.00 other operating revenue was miscoded to contributions. According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Revenues, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Revenues, no further testing procedures were performed.

Agreed Upon Procedures Related to Expenses

Athletic Student Aid

28. Selected a sample of students from the listing of institutional student aid recipients during the reporting period.
29. Obtained individual student-account detail for each selection and compared the total aid allocated from the related aid award letter to the student's account.
30. Performed a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System.
31. Recalculated totals for each sport and overall.

No material exceptions were noted as a result of these procedures.

Guarantees

32. Obtained and inspected visiting institution's away game settlement reports received by UTRGV during the reporting period and agreed related expenses to UTRGV's general ledger and/or the SRE and recalculated totals.
33. Obtained and inspected contractual agreements pertaining to expenses recorded by UTRGV from guaranteed contests during the Reporting period. Compared and agreed related amounts expensed by the institution during to UTRGV's general ledger and/or the SRE and recalculated totals.

No material exceptions were noted as a result of these procedures.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

34. Obtained and inspected a listing of coaches employed by UTRGV and related entities during the reporting period. Selected a sample of coaches' contracts, including men's and women's basketball from the listing.
35. Compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTRGV and related entities in the SRE during the reporting period.
36. Obtained and inspected payroll summary registers for the reporting year for each selection. Compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by UTRGV and related entities expense recorded by UTRGV in the SRE during the reporting period.
37. Compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals.

No material exceptions were noted as a result of these procedures.



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Coaching Salaries, Benefits and Bonuses Paid by a Third-Party

38. Obtained and inspected a listing of coaches paid by third parties during the reporting period. Selected a sample of coaches' contracts, including men's and women's basketball from the listing.
39. Compared and agreed the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third-party and recorded by UTRGV in the SRE during the reporting period.
40. Obtained and inspected reporting period payroll summary registers for each selection. Compared and agreed related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by UTRGV in the SRE during the reporting period and recalculated totals.

Athletics personnel did not receive compensation or benefits directly from a third-party that is guaranteed by the institution. However, certain athletic personnel have the use of courtesy vehicles which are provided by third parties.

Support Staff/Administrative Compensation, Benefits, and Bonuses Paid By the University and Related Entities

41. Selected a sample of support staff/administrative personnel employed by UTRGV and related entities during the reporting period.
42. Obtained and inspected reporting period summary payroll register for each selection. Compared and agreed the related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by UTRGV and related entities expense recorded by UTRGV in the SRE during the reporting period and recalculated totals.

*We determined that \$98,583.03, in salaries and benefits for the Athletic Academic Advisors who work solely for Athletics, but paid by the institution, was omitted. Also \$31,250.15, representing 70%, of the work-study wages not paid by Athletics, was omitted. Additionally, we determined that Support Staff was understated by \$600.00 that was included in Other Operating Expenses. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Support Staff/Administrative Compensation, Benefits and Bonuses Paid by a Third-Party

43. Selected a sample of support staff/administrative personnel employed by third parties during the reporting period.
44. Obtained and inspected reporting period payroll summary registers for each selection. Compared and agreed related payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by UTRGV in the SRE during the reporting period and recalculated totals.

Athletics personnel did not receive compensation or benefits directly from a third-party that is guaranteed by the institution; however, certain athletic personnel have the use of courtesy vehicles which are provided by third parties.



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Severance Payments

45. Selected a sample of employees receiving severance payments by UTRGV during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Expenses, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Expenses, no testing procedures were performed.

Recruiting

46. Obtained and documented an understanding of UTRGV's recruiting expense policies.
47. Compared and agreed to existing institutional and NCAA related policies.
48. Obtained general ledger detail and compared to the total expenses reported and recalculated totals.

*No material exceptions were noted as a result of these procedures; however, we determined that Recruiting was understated by \$259.20. This amount had been included in Other Operating Expenses. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Team Travel

49. Obtained and documented an understanding of UTRGV's team travel policies.
50. Compared and agreed to existing institutional- and NCAA-related policies.
51. Obtained general ledger detail and compared to the total expenses reported and recalculated totals.

No material exceptions were noted as a result of these procedures.

Sports Equipment, Uniforms, and Supplies

52. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

*No material exceptions were noted as a result of this procedure; however, during the testing of in-kind revenues we determined that a one-sided entry was made and that \$90,387.50 in corresponding expenses had not been recorded to this line item. This category was corrected in the final SRE that appears in **Appendix A** of this report.*

Game Expenses

53. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

*No material exceptions were noted as a result of this procedure; however, we determined that this category was originally overstated by \$200.00. This amount should have been included in Other Operating Expenses. We also found that \$24,849.26 in capital assets were incorrectly included in this category. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*



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Fund Raising, Marketing, and Promotion

54. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

*No material exceptions were noted as a result of this procedure; however, we determined that this category was originally understated by \$6,304.00. This amount had been included in Other Operating Expenses. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Sports Camps Expenses

55. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Expenses, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Expenses, no testing procedures were performed.

Spirit Groups

56. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

Athletics does not control or operate UTRGV Spirit Groups.

Athletic Facilities Debt Service, Leases and Rental Fees

57. Obtained a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compared a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).
58. Compared amounts recorded to amounts listed in the general ledger detail and recalculated totals.

UTRGV had no Athletics related debt.

Direct Overhead and Administrative Expenses

59. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

We determined that Direct Overhead and Administrative Expenses were understated by \$246,217.46. This amount had been included in Other Operating Expenses. Based upon communication with the NCAA, the true administrative expenses previously reported as Other Operating Expenses are to be reported as Direct Overhead Expenses. According to the NCAA, new guidance provided for Direct Overhead Expenses was an attempt to clean up the "Other Operating Expenses" category as it was being used by many institutions as a place to report a wide range of expenses and was growing in size compared to some other SRE expense categories. Direct Overhead and Administrative Expenses were corrected in the revised SRE and are



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*accurately stated in the final SRE that appears in **Appendix A** of this report. There was no net effect on the bottom line of the SRE as the result of this misclassification. See recommendation in **Appendix B**.*

Indirect Institutional Support

60. Tested with revenue section - Indirect Institutional Support (see procedure # 8 on page 4).

*No material exceptions were noted as a result of this procedure; however, it was determined that the indirect amount recorded was understated by \$42,307.74. This category was corrected in the final SRE that appears in **Appendix A** of this report.*

Medical Expenses and Insurance

61. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

No material exceptions were noted as a result of this procedure.

Memberships and Dues

62. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

No material exceptions were noted as a result of this procedure.

Other Operating Expenses

63. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

*Other Operating Expenses were overstated by \$426,914.86. From this amount, \$246,217.46 should have been included in Direct Overhead and Administrative Expenses; \$6,304.00 in Fund Raising; \$600.00 in Support Staff; \$173,734.20 of capital assets should have been omitted from the SRE, \$259.20 should have been included in Recruiting; and a \$200.00 credit should have been removed from Game Expenses instead of Other Operating Expenses. Additionally, a capital asset of \$9,495.00 was removed from expenses. According to the NCAA, new guidance provided for Direct Overhead Expenses was an attempt to clean up the "other operating expenses" category as it was being used by many institutions as a place to report a wide range of expenses and was growing in size compared to some other SRE expense categories. The Other Operating Expenses, as well as the other categories described above, were corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Additional Minimum Agreed-Upon Procedures

Bowl Revenues

- A. Obtain and inspect agreements related to UTRGV's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions.
- B. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.



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Athletics did not have any bowl revenues.

Student-Athletic Meals (non-travel)

- C. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

According to guidelines in the NCAA's 2016 Agreed-Upon Procedures, "if a specific reporting category is less than 0.5% of the Total Expenses, no procedures are required for that specific category." Because the total category amount was less than 0.5% of Total Expenses, no testing procedures were performed.

Bowl Expenses

- D. Obtained general ledger detail and compared to the total expenses reported. Selected a sample of transactions to validate existence of transaction and accuracy of recording and recalculated totals.

Athletics did not have any bowl expenses.

NCAA Financial Reporting System

- Compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution.

No material exceptions were noted as a result of this procedure.

- Obtained UTRGV's Sports Sponsorship Demographics Forms Report for the reporting year. Validated that the countable sports reported by UTRGV met the minimum requirements set forth by Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum-contest requirement. Once countable sports have been confirmed, ensure that UTRGV has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

No material exceptions were noted as a result of this procedure.



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We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying SRE of Athletics. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to UTRGV's financial statements.

This report is intended solely for the information and use of UTRGV management and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of J. Michael Peppers in black ink.

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive
January 17, 2017

Handwritten signature of Gan Louie in blue ink.

Gan Louie, CIA, CISA
Audit Supervisor
January 17, 2017



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APPENDIX A

THE UNIVERSITY OF TEXAS RIO GRANDE VALLEY DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
 STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	TOTAL
Operating Revenues:					
Ticket Sales	\$ 35,206.00	\$ 10,518.00	\$ 40,548.03	\$ -	\$ 86,272.03
Direct State or Other Government Support	-	-	-	-	-
Student Fees	-	-	-	8,495,295.00	8,495,295.00
Direct Institutional Support	4,021.00	-	3,485.30	1,988,802.02	1,996,308.32
Less - Transfers to Institution	-	-	-	-	-
Indirect Institutional Support	249,653.30	203,898.53	555,591.29	858,787.84	1,867,930.96
Guarantees	230,000.00	95,200.00	5,500.00	-	330,700.00
Contributions	28,689.26	16,543.00	41,191.42	186,745.50	273,169.18
In-Kind	13,818.00	15,000.00	38,275.50	23,294.00	90,387.50
Compensation and Benefits provided by a third party	-	-	-	-	-
Media Rights	-	-	-	-	-
NCAA Distributions	-	-	-	285,573.79	285,573.79
Conference Distributions	-	-	-	-	-
Program, Novelty, Parking & Concession Sales	-	-	-	53,139.84	53,139.84
Royalties, Licensing, Advertisement & Sponsorship	-	-	-	432,785.57	432,785.57
Sports Camp Revenues	7,919.00	9,678.90	58,095.43	-	75,693.33
Athletics Restricted Endowments & Investments Income	6,828.19	6,828.18	16,756.63	11,440.57	41,853.57
Other Operating Revenue	-	-	9,126.00	32,567.00	41,693.00
Bowl Revenues	-	-	-	-	-
Total Operating Revenues	\$ 576,134.75	\$ 357,666.61	\$ 768,569.60	\$ 12,368,431.13	\$ 14,070,802.09
Operating Expenses:					
Athletic Student Aid	\$ 318,129.60	\$ 404,444.39	\$ 1,385,332.56	\$ (7,862.54)	\$ 2,100,044.01
Guarantees	19,000.00	16,790.00	72,597.51	-	108,387.51
Coaching Salaries, Benefits & Bonuses paid by the University & Related Entities	535,781.60	399,920.64	1,231,074.78	-	2,166,777.02
Coaching Salaries, Benefits and Bonuses paid by a Third Party	-	-	-	-	-
Support Staff/Administrative Compensation, Benefits & Bonuses paid by the University & Related Entities	26,635.43	50,186.36	-	1,916,307.70	1,993,129.49
Support Staff/Administrative Compensation, Benefits & Bonuses paid by Third Party	-	-	-	-	-
Severance Payments	58,333.33	-	-	-	58,333.33
Recruiting	83,502.31	22,547.11	96,576.29	259.20	202,884.91
Team Travel	296,026.25	277,999.14	995,849.91	2,730.00	1,572,605.30
Sports Equipment, Uniforms & Supplies	77,350.72	86,294.34	334,665.90	31,111.26	529,422.22
Game Expenses	600.00	-	9,554.50	510,686.89	520,841.39
Fund Raising, Marketing & Promotion	1,528.59	445.20	20,352.64	270,230.14	292,556.57
Sports Camp Expenses	5,007.77	1,797.83	13,602.94	-	20,408.54
Spirit Groups	-	-	-	-	-
Athletic Facilities Debt Service, Leases & Rental Fees	-	-	-	-	-
Direct Overhead and Administrative Expenses	8,674.00	2,514.44	43,423.93	466,088.05	520,700.42
Indirect Institutional Support	249,653.30	203,898.53	555,591.29	858,787.84	1,867,930.96
Medical Expenses and Insurance	168.00	1,738.90	2,789.76	135,834.11	140,530.77
Membership & Dues	495.00	1,225.00	2,903.00	154,511.84	159,134.84
Student-Athlete Meals (non-travel)	16,768.74	2,537.97	25,907.97	-	45,214.68
Other Operating Expenses	3,746.67	7,606.54	28,901.90	341,729.06	381,984.17
Bowl Expenses	-	-	-	-	-
Total Operating Expenses	\$ 1,701,401.31	\$ 1,479,946.39	\$ 4,819,124.88	\$ 4,680,413.55	12,680,886.13
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ (1,125,266.56)	\$ (1,122,279.78)	\$ (4,050,555.28)	\$ 7,688,017.58	\$ 1,389,915.96



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**APPENDIX B
FINDINGS AND RECOMMENDATIONS**

The following are our engagement findings, related recommendations, and management’s responses.

No.	Finding	Recommendation & Management’s Response
1.	<p><u>Training and Procedures for the Preparation of the SRE</u> From the agreed-upon procedures performed, we identified five material errors that affected 13 SRE categories.</p> <ol style="list-style-type: none"> 1. Omission of Direct Institutional Support. 2. Misclassification error—Other Operating Expenses was overstated and included expenses that should have been reported within Direct Overhead and Administrative Expenses, Fundraising, Game Expenses, Recruiting, and Support Staff/Administrative Compensation. 3. Inclusion of capital expenditures into expense categories of Game Expenses and Other Operating Expenses. 4. Omission of expenses for 12 expense line items: Athletic Student Aid, Support Staff/Administrative Compensation, Recruiting, Team Travel, Sports Equipment, Uniforms and Supplies, Game Expenses, Fundraising, Sports Camps, Direct Overhead and Administrative Expenses, Medical Expenses, Student-Athlete Meals, Other Operating Expenses. 5. Omission of compensation for athletic academic advisors and college work-study employees understating Support Staff/Administrative Compensation. <p>Adjustments to correct the errors were made to the final SRE that appears in Appendix A of this report. Factors contributing to the observed errors include the following:</p>	<p><u>Recommendation:</u> The Intercollegiate Athletics Department should develop detailed written procedures for the preparation of the SRE and cross-train employees so that more than one individual is knowledgeable in the preparation of the SRE. This will help ensure that the SRE, which must be reported annually to both the NCAA and the university president, is complete and accurate.</p> <p><u>Management’s Response:</u> <i>Beginning December 2016, the Senior Associate Athletics Director for Business Operations implemented a new process for the ensuring timely and accurate preparation of the SRE. An SRE financial reports template was created utilizing the NCAA’s agreed upon procedures. On a quarterly basis, utilizing this template, athletic department related transactions are coded by the Senior Associate Athletics Director for Business Operations.</i></p> <p><i>Cross training has started to take place with the Accountant II and other athletic business office staff. In January 2017, all athletic business office staff were trained on the correct use of expense types (E-types) used to code expenses into the Oracle software. The Accountant II is responsible for ensuring the correct E-types are used for financial reporting purposes. Beginning February 2017, the Accountant II will be trained on how to code transactions into the new template.</i></p> <p><u>Anticipated Implementation Date:</u> <i>January 30, 2017</i></p>



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No.	Finding	Recommendation & Management's Response
	<ul style="list-style-type: none"><li data-bbox="277 363 800 468">• The Athletics Department has no policies or written procedures for the preparation of the SRE report.<li data-bbox="277 510 787 800">• The individual who prepared the previous years' SREs left the university and a new individual was hired in April of 2016. This individual is the only person who prepares the SRE report. No other individual is cross-trained on the report preparation.	<p data-bbox="841 359 1463 464"><u>Responsible Party:</u> <i>Senior Associate Athletics Director for Business Operations</i></p>



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**APPENDIX C
FOLLOW-UP ON PRIOR YEAR'S RECOMMENDATIONS**

Not applicable because this was UTRGV's first year of existence



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**APPENDIX D
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES**

NOTE 1 – Principles of Preparation

The SRE is prepared in accordance with the NCAA financial reporting guidelines. Information used in the SRE’s preparation is obtained primarily from information recorded in UTRGV’s financial accounting system. Other information, such as amounts estimated for non-cash trade-out agreements and gifts in-kind, is obtained from records maintained by Athletics.

NOTE 2 – Contributions Constituting More than Ten Percent of All Contributions

Revenue from contributions was \$273,169.18 for FY 2016. One contribution was more than ten percent of all contributions, as follows:

- The UTRGV Foundation made a contribution in the amount of \$31,666.00. The UTRGV Foundation is an independent nonprofit organization.

NOTE 3 – Capital Assets

Athletics acquires, depreciates, and disposes assets in accordance with UTRGV institutional policy as follows:

- Acquisition - Athletics acquires capital assets through the normal process at the institution. All purchases are centralized and made using the method that provides the best value to UTRGV. Competitive bidding is required for requests above \$5,000.00 (unless an Exclusive Acquisition Justification is approved by the Procurement Office), which is the capitalization threshold.
- Depreciation - Depreciation is allocated to Athletics assets, or portions of real-assets, under the control of Athletics. Depreciation is calculated on a straight-line basis.
- Disposal - Disposal of capital assets must be done in accordance with State of Texas law and institutional policy.

NOTE 4 – Other Reportable Items

Description	Amounts
Excess Transfers to Institution	\$0
Conference Realignment Expenses	Not Applicable
Total Athletics Related Debt	\$0
Total Institutional Debt	\$125,981,000
Value of Athletics Dedicated Endowments	\$524,252
Value of Institutional Endowment	\$49,644,996
Total Athletics Related Capital Expenditures	\$208,078



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**APPENDIX E
ANALYSIS OF BUDGET TO ACTUAL MAJOR REVENUE AND EXPENSE CATEGORIES**

Budget to Actual Variance Analysis

Project Account	Project Account Name	Budget	Actual	Variance \$	Percent Variance	Explanation for Variances over 10%
Revenues:						
330000001	AES Athletics Revenue	\$ 10,262,025.01	\$ 10,398,107.18	\$ 136,082.17	1.33%	Variance is less than 10%
Expenses:						
210000259	Athletics Local Equip	\$ 273,429.21	\$ 243,567.70	\$ (29,861.51)	-10.92%	Installation of new scoreboard was less than budgeted.
210000901	Coach Al Ogletree Fund	265,257.00	3,071.00	(262,186.00)	-98.84%	Expenses were realized in FY 2017.
330000002	Administration Athletics	1,955,789.33	2,084,413.26	128,623.93	6.58%	Variance is less than 10%
330000003	Men Baseball	722,553.05	720,034.42	(2,518.63)	-0.35%	Variance is less than 10%
330000005	Women Tennis	265,338.72	261,666.05	(3,672.67)	-1.38%	Variance is less than 10%
330000006	Men Cross Country Track	442,164.04	418,934.45	(23,229.59)	-5.25%	Variance is less than 10%
330000007	Women Cross Country Track	530,087.92	508,005.55	(22,082.37)	-4.17%	Variance is less than 10%
330000010	Men Basketball	1,263,550.58	1,291,490.37	27,939.79	2.21%	Variance is less than 10%
330000011	Men Soccer	459,919.34	442,119.75	(17,799.59)	-3.87%	Variance is less than 10%
330000012	Women Soccer	561,086.42	562,905.36	1,818.94	0.32%	Variance is less than 10%
330000013	Women Volleyball	567,122.00	530,670.08	(36,451.92)	-6.43%	Variance is less than 10%
330000014	Women Basketball	1,112,511.00	1,124,182.37	11,671.37	1.05%	Variance is less than 10%
330000016	Training Room	373,602.61	346,274.45	(27,328.16)	-7.31%	Variance is less than 10%
330000019	Officials Security	233,082.77	233,082.77	0.00	0.00%	Variance is less than 10%
330000021	Athletics Marketing	229,091.01	203,842.08	(25,248.93)	-11.02%	This variance is due to an employee not paid out of this account as budgeted.
330000024	Athletics Maint & Util-ED	433,997.00	310,636.02	(123,360.98)	-28.42%	Variance is due to payroll savings incurred for unfilled facility maintenance positions and a slight reduction in utility expense.

Note: UTRGV budgeted on a Project Account basis. For this analysis, Project Accounts were limited to those, that when summed together, comprised 80% or more of the Total Revenue for Project Accounts and Total Expenses for Project Accounts. Explanations for Project Accounts with variances over 10% were obtained, and explanations appeared to be reasonable.



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**APPENDIX F
ANALYSIS OF ACTUAL MAJOR REVENUE AND EXPENSE CATEGORIES**

FY 2015 to FY 2016 Variance Analysis

Not applicable because this was UTRGV's first year of existence