



January 15, 2019

T. Taylor Eighmy, Ph.D., President
The University of Texas at San Antonio
One UTSA Circle
Main Building, Suite 4.122
San Antonio, Texas 78249

Dear President Eighmy:

We have completed our Independent Auditor's Report on the Application of the Agreed-Upon Procedures for the Department of Intercollegiate Athletics at The University of Texas at San Antonio (UTSA) for the Fiscal Year Ended August 31, 2018. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided by management and staff from UTSA's Department of Intercollegiate Athletics.

Sincerely,

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

cc: Steven Leslie, Ph. D., Executive Vice Chancellor for Academic Affairs, UT System
Lisa Campos, Vice President for Intercollegiate Athletics & Athletic Director, UTSA
Veronica Mendez, Vice President for Business Affairs, UTSA
Mike Bazemore, Executive Senior Associate Athletics Director, UTSA
Sherman Corbett, Associate Athletics Director for Business Operations, UTSA
Paul Tyler, Chief Audit Executive, UTSA

**The University of Texas at San Antonio
Department of Intercollegiate Athletics**

**Independent Auditor's Report on the
Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**



January 2019

**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST SEVENTH STREET
AUSTIN, TX 78701
(512) 499-4390**



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

**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 at San Antonio (UTSA), solely to assist UTSA management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTSA's Department of Intercollegiate Athletics (Athletics) is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15 for the fiscal year (FY) ended August 31, 2018. UTSA's management is responsible for the 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.

The following pages outline the required procedures and results. 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*, UTSA Intercollegiate Athletics Program SRE for the Fiscal Year Ended August 31, 2018;
- *Appendix B*, Findings and Recommendations
- *Appendix C*, Notes to the Statement of Revenues and Expenses;
- *Appendix D*, Budget to Actual Comparison of Major Revenue and Expense Categories; and
- *Appendix E*, FY 2017 to FY 2018 Comparison of Major Revenue and Expense Categories.

Agreed-Upon Procedures Related to all Revenues, Expenses, and Other Reporting Items

- Agree the amounts reported on the SRE to UTSA's general ledger.

With the exceptions of SRE reporting categories Direct Institutional Support and Game Expenses, revenues, expenses, and other reporting items reported on the SRE materially agreed to the amounts reported in UTSA's general ledger. Material variances within Direct Institutional Support and Game Expenses were corrected on the final SRE in Appendix A. In addition, there are certain items recorded on the SRE that are not required to be recorded in UTSA's general ledger, indirect institutional support, and gifts in-kind. The NCAA requires that these items be reported on the SRE to fully reflect the operations of the Athletics.

- Perform the following procedures for all revenue and expense categories applicable to the SRE:
 - ❖ Compare and agree each operating revenue and expense category reported in the SRE during the reporting period to supporting schedules provided by UTSA. If a specific reporting

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.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

category is less than 4.0% of the total revenues, no procedures are required for that specific category.

- ❖ Compare and agree a sample of operating revenue receipts and operating expenses obtained from the above supporting schedules to adequate supporting documentation.
- ❖ Compare each major revenue and expense account over 10% of the total revenues/expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon Procedures report.

These procedures were performed for the revenue and expense categories listed below, except for those less than 4.0% of the total revenues or total expenses. Material exceptions are referenced below under Direct Institutional Support and Game Expenses.

- Identify and document aspects of UTSA's internal control structure that are unique to Athletics. Test 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 UTSA's financial statements.

Opportunities to strengthen internal controls related to Direct Institutional Support, Athletic Student Aid, Game Expenses, and the Road Runner Foundation are described in Appendix B.

- Identify all intercollegiate athletics related affiliated and outside organizations and obtain those organizations' financial statements for the reporting period.

Affiliated and outside organizations includes entities that have a primary purpose which benefits UTSA's Athletic Department and are not under UTSA's accounting control. The Roadrunner Foundation (Foundation) is an exempt charitable non-profit corporation, as defined under Internal Revenue Code section 501(c)(3), whose purpose is to support programs and activities of UTSA athletics.

Agreed-Upon Procedures Related to Revenues

Ticket Sales

1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UTSA in the SRE and the related attendance figures and recalculate totals.

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

Student Fees

2. Compare and agree student fees reported by UTSA in the SRE for the reporting period to student enrollments during the same reporting period and recalculate totals.
3. Obtain and document an understanding of the UTSA's methodology for allocating student fees to intercollegiate athletics programs.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie 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.

Direct State or Other Governmental Support

5. Compare direct state or other governmental support recorded by UTSA during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals.

Procedure was not applicable. Athletics did not receive direct state or other governmental support.

Direct Institutional Support

6. Compare the direct institutional support recorded by UTSA during the reporting period with institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

*While Direct Institutional Support (DIS) was originally overstated on the SRE by \$173,554.88, an immaterial amount, this difference was the result of material variances that had opposite effects on DIS. For related findings and recommendations, see Appendix B, **SRE 4 - Direct Institutional Support**, pages 15 - 16.*

Transfers Back to Institution

7. Compare the transfers back to UTSA with permanent transfers back to institution from the athletics department and recalculate totals.

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

Indirect Institutional Support

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

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

Guarantees

9. Select a sample of settlement reports for away games during the reporting period and agree each selection to UTSA's general ledger and/or the SRE and recalculate totals.
10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. Compare and agree each selection to UTSA's general ledger and/or the SRE and recalculate totals.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Contributions

11. Obtain and review 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% or more of all contributions received for intercollegiate athletics during the reporting period and recalculate totals.

No material exceptions were noted as a result of this procedure. In addition, there was one contribution of moneys, goods, or services received directly by Athletics from an outside organization that constituted 10% or more of all contributions received for Athletics during the reporting period. See Appendix C, Note 2.

In-Kind

12. Compare the in-kind recorded by UTSA during the reporting period with a schedule of in-kind donations and recalculate totals.

Procedure was not applicable. Athletics did not receive in-kind amounts applicable to this category.

Compensation and Benefits Provided by a Third-Party

13. Obtain the summary of revenues from affiliated and outside organizations (Summary) as of the end of the reporting period from UTSA. Select a sample of funds from the Summary and compare and agree each selection to supporting documentation, UTSA's general ledger, and/or the Summary and recalculate totals.
14. If the third party was audited by independent auditors, obtain the related independent auditors' report.

Procedure was not applicable. No compensation or benefits were provided by a third party.

Media Rights

15. Obtain and inspect agreements to understand UTSA's total media (broadcast, television, radio) rights received by UTSA or through their conference offices as reported in the SRE.
16. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and UTSA's general ledger and recalculate totals.

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

NCAA Distributions

17. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Conference Distributions

18. Obtain and inspect agreements related to UTSA's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.
19. Compare and agree the related revenues to UTSA's general ledger and/or the SRE and recalculate totals.

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

Program Sales, Concessions, Novelty Sales, and Parking

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

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

Royalties, Licensing, Advertisements, and Sponsorships

21. Obtain and inspect agreements related to UTSA'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. Compare and agree the related revenues to UTSA's general ledger and/or the SRE and recalculate totals.

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

Sports Camp Revenues

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

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

Athletics Restricted Endowment and Investment Income

25. Obtain and inspect endowment agreements to gain an understanding of the relevant terms and conditions.
26. Compare and agree the classification and use of endowments and investment income reported in the SRE during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Other Operating Revenue

27. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.

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

Bowl Revenues

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

Procedures were not applicable. Athletics did not participate in a post-season bowl game for the reporting period.

Agreed-Upon Procedures Related to Expenses

Athletic Student Aid

30. Select a sample of students from the listing of institutional student aid recipients during the reporting period.
31. Obtain individual student-account detail for each selection and compare the total aid in UTSA's student system to the student's detail in UTSA's report that ties directly to the NCAA Membership Financial Reporting System.
32. Perform a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System.
33. Recalculate totals for each sport and overall.

While no material exceptions were noted as a result of these procedures, we identified opportunities to strengthen internal controls. For related findings and recommendations, see Appendix B, SRE 20 – Athletic Student Aid, pages 16 - 19

Guarantees

34. Obtain and inspect visiting institution's away-game settlement reports received by UTSA during the reporting period and agree related expenses to UTSA's general ledger and/or the SRE and recalculate totals.
35. Obtain and inspect contractual agreements pertaining to expenses recorded by UTSA from guaranteed contests during the reporting period. Compare and agree related amounts expensed by UTSA during the reporting period to UTSA's general ledger and/or the SRE and recalculate totals.

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

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

36. Obtain and inspect a listing of coaches employed by UTSA and related entities during the reporting period. Select a sample of coaches' contracts, including football and men's and women's basketball from the listing.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

37. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTSA and related entities in the SRE during the reporting period.
38. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by UTSA and related entities expense recorded by UTSA in the SRE during the reporting period.
39. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

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

Coaching Other Compensation and Benefits Paid by a Third-Party

40. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts, including football and men's and women's basketball from the listing.
41. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third-party and recorded by UTSA in the SRE during the reporting period.
42. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by UTSA in the SRE during the reporting period and recalculate totals.

Procedure was not applicable. No compensation or benefits were provided by a third party.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities

43. Select a sample of support staff/administrative personnel employed by UTSA and related entities during the reporting period.
44. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree the related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by UTSA and related entities expense recorded by UTSA in the SRE during the reporting period and recalculate totals.

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

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

45. Select a sample of support staff/administrative personnel employed by third parties during the reporting period.
46. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by UTSA in the SRE during the reporting period and recalculate totals.

Procedure was not applicable. No compensation or benefits were provided by a third party.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Severance Payments

47. Select a sample of employees receiving severance payments by UTSA during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

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

Recruiting

48. Obtain and document an understanding of UTSA's recruiting expense policies.
49. Compare and agree to existing institutional- and NCAA-related policies.
50. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

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

Team Travel

51. Obtain and document an understanding of UTSA's team travel policies.
52. Compare and agree to existing institutional- and NCAA-related policies.
53. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

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

Equipment, Uniforms, and Supplies

54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Game Expenses

55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

A material exception was noted as a result of this procedure. Game expenses were overstated on the original SRE by \$363,578.85. Corrections were made on the final SRE in Appendix A. For related findings and recommendations, see Appendix B, SRE 30 – Game Expenses, pages 19 – 20.

Fund Raising, Marketing, and Promotion

56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Sports Camps Expenses

57. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Spirit Groups

58. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Athletic Facility Debt Service, Leases and Rental Fees

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

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

Direct Overhead and Administrative Expenses

61. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Indirect Institutional Support

62. Tested with revenue section - Indirect Institutional Support (see procedure #8).

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

Medical Expenses and Medical Insurance

63. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Memberships and Dues

64. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Other Operating Expenses and Transfers to Institution

65. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Student-Athletic Meals (non-travel)

66. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

Bowl Expenses

67. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Procedure was not applicable. Athletics did not participate in a post-season bowl game for the reporting period.

Additional Minimum Agreed-Upon Procedures

- For Grants-in-Aid: Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to UTSA's squad lists. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists, inquire about the discrepancy and report the justification in the AUP report.

No exceptions were noted as a result of this procedure.

- For Sports Sponsorship: Obtain UTSA's Sports Sponsorship and Demographics Forms Report for the reporting period. Validate that the countable sports reported by UTSA meet the minimum requirements set forth in 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 UTSA has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

No exceptions were noted as a result of this procedure.

- For Pell Grants: Agree the total number of Division I 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 out of UTSA's financial aid records, of all student-athlete Pell Grants.

No exceptions were noted as a result of this procedure.

- For Affiliated and Outside Organizations: Agree the amounts reported in the SRE to the financial activity schedule provided by the Roadrunner Foundation to Athletics. Select a sample of revenue transactions and compare adequate supporting documentation. Select a sample of operating expenses made on behalf of the Roadrunner Foundation and compare to supporting documentation. Request and review bank statements and the Roadrunner Foundations completed Form 990. Request bank reconciliations. Compare amounts recorded in the activity schedule to the bank statements provided. Gain an understanding of the Road Runner Foundations internal



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

controls. Obtain and review the executed Memorandum of Understanding between the Roadrunner Foundation and UTSA.

*While no material exceptions were noted as a result of these procedures, we could not validate that amounts reported as paid were actually for the reported items. For related finding and recommendation, see Appendix B, **Roadrunner Foundation**, pages 20 - 22.*

Agreed-Upon Procedures Related to Other Reporting Items

Excess Transfers to Institution and Conference Realignment Expenses

68. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Procedure was not applicable. Athletics did not have any excess transfers back to the institution or conference realignment expenses during the reporting period.

Total Athletics Related Debt

69. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.
70. Agree the total annual maturities and total outstanding athletic related to supporting documentation and UTSA's general ledger, as applicable.

No exceptions were noted as a result of these procedures.

Total Institutional Debt

71. Agree the total outstanding institutional debt to supporting documentation and the UTSA's audited financial statements, if available, or the UTSA's general ledger.

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

Value of Athletics Dedicated Endowments

72. Obtain a schedule of all athletics dedicated endowments maintained by athletics, UTSA, and affiliated organizations. Agree the fair market value in the schedule(s) to supporting documentation, the general ledger(s) and audited financial statements, if available.

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

Value of Institutional Endowments

73. Agree the total fair market value of institutional endowments to supporting documentation, UTSA's general ledger and/or audited financial statements, if available.

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



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Total Athletics Related Capital Expenditures

74. Obtain a schedule of athletics related capital expenditures made by athletics, UTSA, and affiliated organizations during the reporting period.
75. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

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

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 UTSA's financial statements.

This report is intended solely for the information and use of UTSA management. It 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 cursive.

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

Handwritten signature of Eric Polonski in cursive.

Eric Polonski, CPA, CIA
Director of Audits



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

**APPENDIX A
THE UNIVERSITY OF TEXAS AT SAN ANTONIO DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

REVENUES		Men's	Women's		Men's	Women's	Women's
Operating Revenues:	Football	Basketball	Basketball	Baseball	Golf	Golf	Soccer
1 Ticket Sales	\$ 1,689,290.10	\$ 87,080.90	\$ 9,695.53	\$ 41,538.23	\$ -	\$ -	\$ -
2 Direct State or Other Government Support	-	-	-	-	-	-	-
3 Student Fees	-	-	-	-	-	-	-
4 Direct Institutional Support	76,379.72	1,334.87	29,616.24	2,682.96	-	1,192.43	21,857.02
5 Transfers to Institution	-	-	-	-	-	-	-
6 Indirect Institutional Support	-	-	-	-	-	-	-
6A Indirect Institutional Support - Athletic Facilities							
Debt Service, Lease, and Rental Fees	-	-	-	-	-	-	-
7 Guarantees	300,000.00	265,000.00	39,000.00	-	-	-	-
8 Contributions	2,316,894.47	181,694.78	-	20,269.58	8,870.99	51,091.70	-
9 In-Kind	-	-	-	-	-	-	-
10 Compensation and Benefits Provided by a Third-Party	-	-	-	-	-	-	-
11 Media Rights	135,926.40	33,981.60	-	-	-	-	-
12 NCAA Distributions	-	86,121.00	86,121.00	-	-	-	-
13 Conference Distributions	783,569.00	9,425.00	-	6,250.00	-	-	-
14 Program, Novelty, Parking, and Concessions Sales	242,880.65	-	1,280.00	1,440.00	100.00	310.00	332.36
15 Royalties, Licensing, Advertisements, and Sponsorships	167,329.33	9,400.00	11,000.00	5,600.00	1,600.00	1,600.00	2,700.00
16 Sports Camp Revenues	68,220.00	37,732.50	7,368.00	113,750.00	-	-	61,305.00
17 Athletics Restricted Endowment and Investment Income	6,750.00	3,500.00	7,950.00	2,300.00	3,000.00	13,500.00	800.00
18 Other Operating Revenues	381,464.00	2,500.00	-	3,500.00	33,700.00	26,000.00	100.00
19 Bowl Revenues	-	-	-	-	-	-	-
TOTAL OPERATING REVENUES	\$ 6,168,703.67	\$ 717,770.65	\$ 192,030.77	\$ 197,330.77	\$ 47,270.99	\$ 93,694.13	\$ 87,094.38
EXPENSES							
Operating Expenses:							
20 Athletic Student Aid	\$ 2,334,955.81	\$ 402,759.64	\$ 365,044.46	\$ 317,467.74	\$ 117,416.29	\$ 151,808.02	\$ 388,714.91
21 Guarantees	350,000.00	25,400.00	16,000.00	21,000.00	-	-	-
22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	2,946,365.00	758,570.60	389,717.94	378,834.16	155,662.11	120,123.21	283,371.77
23 Coaching Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	-	-	-
24 Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	671,286.46	98,256.63	54,066.56	3,331.76	-	-	1,698.37
25 Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	-	-	-
26 Severance Payments	-	-	76,107.45	-	-	-	-
27 Recruiting	270,286.21	108,770.30	57,582.93	30,588.39	3,988.91	3,688.10	16,582.87
28 Team Travel	1,183,191.77	449,527.98	211,467.86	256,907.06	44,839.14	68,099.95	98,604.05
29 Sports Equipment, Uniforms, and Supplies	396,180.98	76,325.94	30,117.18	57,686.32	15,598.01	18,141.62	16,665.04
30 Game Expenses	541,507.40	140,557.19	103,538.26	70,287.26	25,559.40	18,754.37	17,103.50
31 Fund Raising, Marketing, and Promotions	-	-	-	-	-	-	-
32 Sports Camp Expenses	51,515.11	19,297.80	4,386.29	25,644.65	-	-	17,040.81
33 Spirit Groups	-	-	-	-	-	-	-
34 Athletic Facilities Debt Service, Leases, and Rental Fees	-	-	-	-	-	-	-
35 Direct Overhead and Administrative Expenses	372,326.26	45,245.62	35,460.29	19,147.30	5,073.83	8,863.84	8,446.73
36 Indirect Institutional Support	-	-	-	-	-	-	-
37 Medical Expenses and Medical Insurance	-	238.15	-	-	-	-	48.32
38 Memberships and Dues	4,217.17	1,925.00	800.00	45.00	28,925.00	15,870.00	390.00
39 Student-Athlete Meals	399,380.32	22,758.69	12,045.28	17,915.43	2,057.38	883.87	11,191.12
40 Other Operating Expenses	300,506.83	94,566.52	14,132.33	11,152.93	16,554.02	21,456.60	3,674.11
41 Bowl Expenses	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 9,821,719.32	\$ 2,244,200.06	\$ 1,370,466.83	\$ 1,210,008.00	\$ 415,674.09	\$ 427,689.58	\$ 863,531.60
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	\$ (3,653,015.65)	\$ (1,526,429.41)	\$ (1,178,436.06)	\$ (1,012,677.23)	\$ (368,403.10)	\$ (333,995.45)	\$ (776,437.22)

(continued)



The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018

REVENUES			Men's	Women's			Non-Program	
Operating Revenues:	Softball	Tennis	Tennis	Volleyball	Track	Specific	Total	
1 Ticket Sales	\$ 16,462.11	\$ -	\$ -	\$ -	\$ 27,680.93	\$ -	\$ 1,871,747.80	
2 Direct State or Other Government Support	-	-	-	-	-	-	-	
3 Student Fees	-	-	-	-	-	12,913,674.60	12,913,674.60	
4 Direct Institutional Support	560.82	-	11,154.02	-	3,529.68	5,612,320.48	5,760,628.24	
5 Transfers to Institution	-	-	-	-	-	(1,700,000.00)	(1,700,000.00)	
6 Indirect Institutional Support	-	-	-	-	-	611,369.62	611,369.62	
6A Indirect Institutional Support - Athletic Facilities								
Debt Service, Lease, and Rental Fees	-	-	-	-	-	-	-	
7 Guarantees	-	-	-	-	16,500.00	-	620,500.00	
8 Contributions	5,296.73	387.40	-	139.88	5,450.76	683,808.97	3,273,905.26	
9 In-Kind	-	-	-	-	-	-	-	
10 Compensation and Benefits Provided by a Third-Party	-	-	-	-	-	-	-	
11 Media Rights	-	-	-	-	-	-	169,908.00	
12 NCAA Distributions	-	-	-	-	-	2,230,627.41	2,402,869.41	
13 Conference Distributions	-	-	-	-	-	13,485.00	812,729.00	
14 Program, Novelty, Parking, and Concessions Sales	7,695.00	360.00	-	170.67	715.00	16,389.14	271,672.82	
15 Royalties, Licensing, Advertisements, and Sponsorships	4,300.00	1,600.00	5,725.00	96,200.00	2,900.00	1,884,003.41	2,193,957.74	
16 Sports Camp Revenues	39,724.50	9,650.00	-	-	93,473.50	20,907.58	452,131.08	
17 Athletics Restricted Endowment and Investment Income	1,600.00	-	-	1,739.00	500.00	-	41,639.00	
18 Other Operating Revenues	1,200.00	1,750.00	-	25,838.84	26.44	195,378.09	671,457.37	
19 Bowl Revenues	-	-	-	-	-	-	-	
TOTAL OPERATING REVENUES	\$ 76,839.16	\$ 13,747.40	\$ 16,879.02	\$ 124,088.39	\$ 150,776.31	\$ 22,481,964.30	\$ 30,368,189.94	
EXPENSES								
Operating Expenses:								
20 Athletic Student Aid	\$ 319,835.31	\$ 128,093.84	\$ 240,096.95	\$ 701,736.96	\$ 357,892.43	\$ 203,775.20	\$ 6,029,597.56	
21 Guarantees	-	-	-	-	-	-	412,400.00	
22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	199,157.51	132,581.80	81,462.98	473,175.20	308,752.34	-	6,227,774.62	
23 Coaching Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	-	-	-	
24 Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	-	-	-	-	417.11	3,883,322.44	4,712,379.33	
25 Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party	-	-	-	-	-	-	-	
26 Severance Payments	-	-	-	-	-	340,257.60	416,365.05	
27 Recruiting	17,702.09	6,775.66	1,960.60	110,470.01	27,274.42	-	655,670.49	
28 Team Travel	118,784.04	36,983.57	52,824.41	387,456.90	147,891.94	-	3,056,578.67	
29 Sports Equipment, Uniforms, and Supplies	38,077.19	28,270.61	18,410.73	201,389.18	28,428.06	23,939.81	949,230.67	
30 Game Expenses	56,699.34	8,606.87	6,558.75	21,009.39	20,478.70	212,225.42	1,242,885.85	
31 Fund Raising, Marketing, and Promotions	-	-	-	-	-	360,909.00	360,909.00	
32 Sports Camp Expenses	3,644.32	1,275.88	-	-	27,226.22	-	150,031.08	
33 Spirit Groups	-	-	-	-	-	107,033.88	107,033.88	
34 Athletic Facilities Debt Service, Leases, and Rental Fees	-	-	-	-	-	914,392.21	914,392.21	
35 Direct Overhead and Administrative Expenses	17,864.35	9,042.23	8,079.66	29,940.00	13,190.16	2,297,123.93	2,869,804.20	
36 Indirect Institutional Support	-	-	-	-	-	611,369.62	611,369.62	
37 Medical Expenses and Medical Insurance	-	250.00	-	7,057.00	-	545,674.16	553,267.63	
38 Memberships and Dues	415.00	1,305.00	495.00	700.00	665.00	25,841.04	81,593.21	
39 Student-Athlete Meals	5,068.57	2,158.62	440.95	69,217.03	15,120.14	89,233.64	647,471.04	
40 Other Operating Expenses	10,023.32	1,721.01	2,920.68	27,166.39	5,851.00	800,336.32	1,310,062.06	
41 Bowl Expenses	-	-	-	-	-	-	-	
TOTAL OPERATING EXPENSES	\$ 787,271.04	\$ 357,065.09	\$ 413,250.71	\$ 2,029,318.06	\$ 953,187.52	\$ 10,415,434.27	\$ 31,308,816.17	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	\$ (710,431.88)	\$ (343,317.69)	\$ (396,371.69)	\$ (1,905,229.67)	\$ (802,411.21)	\$ 12,066,530.03	\$ (940,626.23)	



The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018

APPENDIX B
FINDINGS AND RECOMMENDATIONS

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

SRE 4 - Direct Institutional Support

Material Variances within SRE 4

While Direct Institutional Support (DIS) was originally overstated on the SRE by \$173,554.88, an immaterial amount, this difference was the result of material variances that had the opposite effects on SRE 4:

- DIS was overstated by \$276,851.36 since this amount was recorded twice within the SRE. A correcting entry that was made that changed non-athletic funding sources from a previous entry. However, this correcting entry was mistakenly included on the SRE as additional DIS provided to Athletics. This was corrected on the final SRE.
- DIS was overstated by \$218,564.08. In June and August 2018, Athletics received \$2,744,732.76 to cover athletic department deficits and a signage project. However, it was later determined that less funding was needed, and \$218,564.08 was returned to a non-athletic cost center at fiscal year-end. The amount returned reduced the total amount received in DIS and was not recorded in the original SRE. This was corrected on the final SRE.
- DIS was understated by \$327,424.04. During FY 2018, 42 individuals separated from the athletic department and, as of the end of FY 2018, were no longer employed at UTSA. \$327,420.24 in accrued compensable absences paid and related benefit expenses were sourced from a non-athletic cost center, and these expenses were not recorded in the initial SRE. This was corrected on the final SRE. In addition, SRE 22, Coaching Salaries and Benefits, and SRE 24, Support Staff/Administrative Compensation and Benefits, were also updated by \$140,807.76 and \$186,612.48, respectively, to record the corresponding expenses.

Amounts provided to Athletics during the year can occur through budget transfers. These budget entries are not reviewed with Accounting Services to ensure accuracy and completeness.

The observation described above is considered a **medium-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation:

- Work with the accounting and/or budget office staff to ensure completeness and accuracy of DIS reported on the SRE.
- Ensure accrued compensable absences paid and associated benefit expenses sourced from non-athletic cost centers are included within the SRE. Athletics should also review its activity and work with accounting and/or budget office staff as necessary to ensure all expenses paid on behalf of athletics from non-athletic cost centers are included in the SRE.

Management's Response: *Athletics acknowledges the amounts over-stated on the SRE. The process of recording Direct Institutional Support is not clear in PeopleSoft. Athletics is working with the Budget Office to better ensure accurate recording. Athletics also acknowledges the understatement of accrued compensable absences paid. These expenses are not recorded in Athletics so staff was unaware of the transactions. Athletics will work with accounting to better identify athletics-related expenses outside of Athletics accounts.*



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Anticipated Implementation Date: March 1, 2019

Lack of Evidence of Approval for Significant Budget Transfers

We requested supporting documentation for a sample of significant budget transfers provided by the University to Athletics. One of the journal entries indicated approval by the University president. While we were provided journal information for the transfers made, none of the transfers indicated any approval by University officials outside of Athletics who would have authority to approve the transfers. During this engagement, we confirmed approval of significant transfers made to Athletics; however, this did not include records provided by UTSA and that occurred after fiscal year-end. In November 2018, the Board of Regents (BOR) approved a transfer of \$2,765,000 from UTSA central auxiliary operations to Athletics to provide institutional support for FY 2018. Due to the amount, BOR approval was necessary to authorize the transfer. We were informed that UTSA had made the initial request to the BOR for approval of the transfer of funds in June 2018.

The observation described above is considered a **medium-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation: Athletics does not control whether its requests are approved and provided to it from other University resources. To this end, we recommend that UTSA management strengthen its budget approval process and ensure that significant budget transfers include evidence of review and approval by appropriate University officials.

Management's Response: *At the request of the President and through the process of working with Athletics on year-end projections, the Budget and Financial Planning office assisted the Athletics department with FY 2018 year-end projections while the lead financial position in Athletics was vacant. The Assistant Vice President for Budget and Financial Planning attended various meeting with the President, the Vice President for Business Affairs and the Vice President for Intercollegiate Athletics where decisions were made to provide additional institutional support to Athletics in FY 2018 that were not in the original budget. As a result, budget entries were initiated by the Budget and Financial Planning Office in accordance with these decisions, but a written approval trail was not documented due to the method and nature of how the meetings were conducted to address FY 2018 projections. Going forward these institutional support funds will be included in the Annual Operating Budget that is submitted by UTSA to UT System for approval, or written documentation will be created for the file to support subsequent transfers in any given year.*

Anticipated Implementation Date: February 1, 2019

SRE 20 - Athlete Student Aid

Revenue Distribution Equivalencies

While the amount of student financial aid reported in the SRE was materially accurate, we identified an opportunity to strengthen controls over the reporting of revenue distribution equivalencies to the NCAA. According to NCAA Bylaw 20, the revenue distribution equivalencies calculated by member institutions



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

should only include tuition, fees, room, board and required course-related books. Neither the numerator nor the denominator used to calculate the equivalency should include the cost of attendance (COA) gap funding that is permitted by the NCAA. Student-athletes are to be counted once and should not receive a revenue distribution equivalency greater than 1.00. Student-athletes from head-count sports such as football, basketball, and volleyball generally have a full grant-in-aid and have revenue distribution equivalencies equal to 1.00.

UTSA's initial Calculation of Revenue Distribution Equivalencies (CRDE) report did not include any student-athletes with a revenue distribution equivalency above 0.93. The initial calculation included the COA gap in the denominator but not the numerator. Had this version of CRDE report been the final submission, UTSA would have received less funding than it would have been entitled to receive from the NCAA. Because the error was identified before the final submission deadline, UTSA corrected its report and will be eligible to receive full available funding from the NCAA. Because there was no review process, the under-reporting of revenue distribution equivalencies had not been detected.

The observation described above is considered a **medium-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation: Implement a process to have an individual, other than the preparer of the CRDE report, review the CRDE report to ensure that it is complete and accurate prior to submission to the NCAA.

Management's Response: The Assistant Director of Compliance will consult with the Financial Aid and Scholarship Officer at the beginning of each academic year in setup of the Financial Aid awards in the NCAA's Compliance Assistant software. A process will be in place to review Financial Aid awards for accuracy before submitting to the NCAA. This will first occur when setting up the 2019-2020 academic year.

Anticipated Implementation Date: August 31, 2019

Lack of Retention of Financial Aid Award Letters

We selected a random sample of 33 student-athletes to perform agreed-upon procedures, and we requested financial aid award letters for each. A signed award letter documents an agreement between the University and a student-athlete regarding the amounts and/or elements of athletic financial aid the student-athlete will receive. The University was unable to provide a signed award letter or other evidence indicating approval of athletic financial aid for three student-athletes selected for testing. According to UTSA's records retention policy, records concerning financial aid are to be retained 10 years after graduation or the date of last attendance. We were informed that changes within the Athletics Compliance Office may have led to lack of retention of the financial aid agreements.

The observation described above is considered a **medium-level** finding in accordance with UT System's Internal Audit finding classification system.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Recommendation: Develop a process to ensure that sufficient evidence related to the financial aid award agreements between UTSA and its student-athletes is complete and maintained in accordance with the University's records retention policy.

Management's Response: *The Athletics Compliance Office will explore options within its Front Rush software and work with the Financial Aid and Scholarship Officer to develop checks and balances in this process. Athletics Compliance will work towards a process in which scholarship money will not be released to a student-athlete until he/she has signed a financial aid agreement. The financial aid agreements will be recorded and filed. This process will be in place for the fall 2019 semester.*

Anticipated Implementation Date: August 31, 2019

Financial Aid Reconciliation

Reconciliation of financial aid distributions in UTSA's financial aid system (Banner) to the accounting system (PeopleSoft) was conducted for FY 2018 by the Office of Institutional Compliance and Risk Services (OICRS). However, as of first week of December 2018, reconciliations had only been completed through May 2018. By the end of December, OICRS completed the FY 2018 reconciliations. We have been informed that OICRS will continue to reconcile the accounts through FY 2019. At one time, Athletics staff completed the reconciliations; however, this control activity was shifted to OICRS. Due to changes in Athletics staff, UTSA Business Affairs requested OICRS's assistance in helping Athletics complete financial aid reconciliations.

From our inquiry, it appears that there is no single individual at UTSA that has thorough knowledge of the relationship among the financial aid amounts reported to the NCAA, the actual amounts recorded in the Banner financial aid system, and the amounts actually remitted to or on behalf of student-athletes as recorded in PeopleSoft. Not having a full understanding of the financial aid award process with respect to amounts reported to the NCAA and recorded in Banner and PeopleSoft, coupled with a lack of timely reconciliation increases the risk that potential errors are not detected and corrected in a timely manner.

The observation described above is considered a **medium-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation:

- Ensure that reconciliations between Banner and PeopleSoft are completed in a timely manner.
- Ensure that at least one individual within the athletic department is provided sufficient training to understand the relationship among financial aid award information reported to the NCAA, amounts recorded in Banner, and amount ultimately distributed to and/or paid on behalf of the student-athletes as recorded in PeopleSoft.
- With the most cost-effective solution in mind that ensures appropriate compliance with University and NCAA requirements, consider shifting financial aid reconciliation responsibility from OICRS back to the athletic department.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

Management's Response: *The Athletics Compliance Office will work with the OICRS to transition this process to Athletics. In developing this process, it is anticipated that the Athletics Compliance staff will need additional access to some screens in BANNER, PeopleSoft, and the ability to run reports. Training will take place between the OICRS and the Athletics Compliance Office staff to properly reconcile the financial aid awards.*

Anticipated Implementation Date: June 30, 2019

SRE 30 – Game Expenses

Material Variance and Use of Donor Funds

Game expenses were overstated on the SRE by \$363,578.85. This was primarily due to the following:

- SRE 30 was overstated by \$350,000. This amount was recorded in both SRE 21, Game Guarantees, and SRE 30, Game Expenses. A correcting entry was not captured in the SRE that changed the transaction funding source from the Greehey football scholarship cost center to another athletic cost center. The amount was only for a football game guarantee and was removed from game expenses on the final SRE.
- SRE 30 was overstated by \$53,821.62. This amount was for payments to IMG Learfield for services provided to Athletics and was reclassified as SRE 40, Other Operating Expenses.
- SRE 30 was understated by \$21,200. On the original SRE, in-kind revenue exceeded in-kind expenses by \$163,800.25. All in-kind revenues should be offset by corresponding in-kind expenses per the NCAA's financial reporting guidance. An additional \$21,200 of in-kind expenses that had been omitted from original the SRE was added to SRE 30.
- SRE 30 was understated by \$18,366.37. This amount represented game expenses for the Maryb S. Kauth Invitational for women's golf. It was originally recorded in SRE 40, Other Operating Expenses, and reclassified to SRE 30.

While the amount was ultimately restored, the \$350,000 used to pay the football game guarantee from the Greehey football scholarship cost center should not have occurred because it was for a purpose that does not appear to be intended by the donor, The Greehey Family Foundation. We requested a copy of a donor agreement between the University and The Greehey Family Foundation. Neither Athletics nor External Relations were able to locate a donor agreement. While a written donor agreement may not be in place, we were provided copies of letters from The Greehey Family Foundation that accompanied significant contributions it provided to UTSA over several years. In each letter, The Greehey Family Foundation includes the amount of the gift and the following statement: *"My family is happy to support The University of Texas at San Antonio's (UTSA's) football program by contributing \$[X] to the athletic scholarship program. We'd appreciate your help to ensure these funds are used to provide athletic scholarships to disadvantaged football student athletes-especially those who are the first in their family to attend college."* We were also provided a document entitled "A proposal for investment by Bill Greehey and the Greehey Family Foundation in support of UTSA Athletics Scholarships." While there are no signatures to indicate execution of this proposal, the document includes a request from UTSA *"to continue scholarship funding for 50 student athletes."*

During FY 2018, unused gift funds from The Greehey Family Foundation were used as follows:

- \$270,297 for chartered flights for football.
- \$28,500 for hosting a College Insider.com Post Season Tournament (CIT) for men's basketball.
- \$78,165 for a men's basketball summer tournament that was held in Costa Rica.



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

At the time of our engagement, all funds had been restored to the Greehey football scholarship cost center except for the \$78,165 for the basketball tournament. We were informed by Athletics that it did not have sufficient funds to pay for the expenses described above and used, with UTSA management's consent, the Greehey football scholarship cost center funds to cover the expenses. Athletics understood that funding would be restored to the scholarship cost center after other funding sources became available. The \$28,500 spent on the CIT tournament was restored by an unrestricted gift from the Roadrunner Foundation, and the remainder appears to have been restored from direct institutional support provided to Athletics.

The observation described above is considered a **high-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation:

- In preparation of the SRE, develop a process to ensure all transactions recorded in athletic cost centers are captured and accounted for. Athletics should consider requesting that Accounting Services prepare a trial balance for athletic department cost centers and work with that trial balance to ensure completeness and accuracy when preparing the SRE. Athletics should also consider working with management to develop and/or requesting assistance to create a customized PeopleSoft query that could build a draft SRE that would include initial classification and reporting of amounts to the various SRE categories.
- UTSA should not expend unspent donor funds to provide temporary funding support for activities not intended by the donor.
- UTSA should restore funds to the Greehey football scholarship cost center that were not spent in accordance with the donor's intent.
- If a donor agreement has not yet been formally executed, UTSA should work with The Greehey Family Foundation to develop and execute an agreement that clearly defines what donated funds may be expended upon.

Management's Response: *Campus previously had a policy not permitting gifts and associated expenses to be budgeted. This caused some expenses to be temporarily "parked" in cost centers until proper funding could be received in the correct cost center. In addition, PeopleSoft has poor reporting functionality. Campus has now incorporated an "all in" budget process which allows expenses to be recorded correctly. Also, campus is now using Cognos to assist with reporting. Athletics has been working with campus to develop reports that are more in line with the SRE categories. The Greehey cost center will be restored. Instead of a formal agreement, donor intent was established via a letter from the donor as well as on the check memo line. The Vice President of Business Affairs has also requested her staff's involvement in the process beginning with the 2020 SRE (FY19). Specifics, such as a possible trial balance report by accounting, will be developed to go along with the Cognos reporting tool.*

Anticipated Implementation Date: February 1, 2019



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

The Roadrunner Foundation

The Roadrunner Foundation (RRF) is Texas non-profit corporation whose purpose, according to a Memorandum of Understanding (MOU) executed between it and UTSA that was executed in July 2015, is to *“engage in making expenditures to or for the support or benefit of the University including receiving, holding, investing and administering real or personal property and making expenditures in support of programs and activities of the University and the construction, renovation, operation and maintenance of athletic facilities of the University.”*

During FY 2018, the RRF provided \$1,159,080.51 in support on behalf of Athletics. Of this amount, \$903,500 was provided to Athletics to spend on operations, and \$255,580.51 was for amounts the RRF reported that it has spent on behalf of Athletics. We requested supporting documentation for two amounts provided by the RRF totaling \$903,500. Both agreed to adequate supporting documentation. We also selected three expenditure transactions reported as being spent by the RRF on behalf of Athletics totaling \$200,864.63. However, third-party invoices could not be located by Athletics or the RRF. A practice is for UTSA to request in writing amounts to be spent by the RRF on behalf of Athletics. We were provided two requests for the sample of three. The documentation provided illustrated requests for the expenses reported but did not include invoices. While these requests are not sufficient to serve as invoices, we did locate entries on the bank statements that equaled the reported expenses; however, the bank statements do not indicate the purposes of the expenses. Without third-party documentation of completed transactions, we could not validate that amounts paid were actually for the reported items.

We did not audit, nor were we engaged to audit, the internal controls of the RRF; however, we performed procedures to gain an understanding internal controls. Currently, RRF business is administratively handled on a part-time basis by employees of a separate for-profit entity. While the RRF has bylaws, meets monthly, and maintains its meeting minutes, we noted the following internal control deficiencies:

1. RRF does not maintain adequate supporting documentation to support amounts expended on behalf of Athletics.
2. There is a current practice in place where UTSA requests in writing amounts to be spent by the RRF on behalf of Athletics. For two expenses tested, there was a written request by Athletics and approval by the University president. A copy of a request for the third selection was not available. There was no evidence of approval by the RRF on two of three transactions tested.
3. While a third-party CPA firm prepares the foundation's Form 990, the firm does not validate amounts it compiles on behalf of the RRF, nor is it required to do so. Amounts reported as year-end cash balances on the RRF's Form 990 did not agree to copies of year-end bank statements provided to us. We requested, but were not provided, evidence of a bank reconciliation, and we were informed that the RRF does not perform reconciliations of its bank accounts.
4. As described in the MOU, the RRF agreed to adopt policies that are transparent, reflect best practices, and mitigate the appearance of impropriety, unfairness, financial self-dealing, or fiscal imprudence. This has not yet been completed by the RRF.
5. As described in the MOU, the RRF agreed to provide UTSA an annual financial report. The RRF plans to begin this process with FY 2019.
6. Members of the RRF are considered representatives of UTSA Athletics and have not been provided NCAA compliance training.

Separate from items above, the RRF agreed, as part of the MOU, to have a website that provides public access to information about the RRF's mission, and includes access to a list of employees, board members, contact information, and a description of the foundation's relationship with UTSA. We were



**The University of Texas at San Antonio
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

provided a web address that is hosted by a third party. This website does not meet the MOU criteria described above, and we could not access it by searching through UTSA.edu or through other online searches.

The observation described above is considered a **high-level** finding in accordance with UT System's Internal Audit finding classification system.

Recommendation: UTSA should work with the RRF to adopt practices to strengthen internal controls for activities conducted by the RRF and on behalf of the University, and UTSA should consider providing enhanced administrative support to do so. UTSA should request and retain copies of invoices or other adequate supporting documentation to validate expenses by the RRF on behalf of Athletics. UTSA should also provide NCAA compliance training or applicable NCAA compliance information to members of the RRF to ensure that RRF members understand their responsibilities as representatives of Athletics' interests. Lastly, UTSA should also work with the RRF to ensure that the terms of the MOU are being met as agreed to and/or determine whether the terms of the agreement need to be modified as appropriate.

Management's Response: *The Roadrunner Foundation is run by a volunteer board. There has been limited administrative support provided by UTSA. We have been working with the Foundation to determine whether they should hire staff and/or have more administrative support from UTSA staff. As part of this, the MOU and bylaws are being reviewed and updated where necessary. Policies and procedures, annual reports, and record retention are all being addressed as part of that review. These items should all be addressed by June 1st, with some implemented prior to that time. Compliance training has been implemented for this year.*

Anticipated Implementation Date: June 1, 2019



**The University of Texas at San Antonio
Independent Auditor’s Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

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

NOTE 1 – Presentation of the Statement of Revenues and Expenses

The SRE is prepared in accordance with the NCAA financial reporting guidelines. Information used in the SRE’s preparation is obtained primarily from subsidiary ledger information recorded in UTSA’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 the Athletics Department and the Office of Accounting. The SRE presents activity for fiscal year 2018. UTSA’s fiscal year is the period beginning each September 1st and ending each August 31st of the subsequent calendar year.

NOTE 2 – Contributions Constituting More than 10 Percent of All Contributions

Revenue from contributions totaled \$3,273,905.26 for FY 2018. During FY 2018, the Roadrunner Foundation (RRF) provided Athletics \$1,159,080.51 in support of Athletics. This includes \$255,580.51 the RRF reported that it expended on behalf of Athletics and \$903,000.00 in funds provided by the RRF for Athletic operations. Of the funds provided to Athletics, the RRF made a single \$875,000.00 contribution to Athletics that constituted more than 10 percent or more of all contributions received for Athletics during the reporting period.

NOTE 3 – Capital Assets

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

- Acquisition – Athletics acquires capital assets through the normal process at the institution. All purchases are centralized and are to be made using the method that provides the best value to UTSA. Informal quotes are required for purchases above \$15,000, and competitive bidding is required for all assets above \$50,000. The capitalization threshold is \$5,000.
- Approval – Requests made for debt-financed capital assets are approved by the Executive Vice President for Business Affairs.
- Depreciation – Depreciation is allocated to Athletics based on the 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 Reporting Items

Category	Amount
Excess Transfers to Institution	\$0.00
Conference Realignment Expenses	Not Applicable
Total Athletics Related Debt	\$2,460,000.00
Total Institutional Debt	\$327,166,000.00
Value of Athletics Dedicated Endowments	\$1,000,396.72
Value of Institutional Endowments	\$164,031,596.27
Total Capital Expenditures by Athletics during FY 2018	\$179,449.44
Total Capital Expenditures reported as Being Made by the Roadrunner Foundation on Behalf of Athletics	\$60,915.63



**The University of Texas at San Antonio
 Independent Auditor’s Report on the Application of Agreed-Upon Procedures
 For the Fiscal Year Ended August 31, 2018**

NOTE 5 – Future Debt Repayment Schedule

UTSA receives proceeds from bonds issued and held by UT System to support capital projects of UT System and its institutions. All bonds issued by the UT System are defined as revenue bonds. As such, the revenues of all UT System institutions, including UTSA, are pledged for repayment of the bonds. No amount of indebtedness related to these bonds has been recorded on UTSA’s financial statements. As of August 31, 2018, UTSA had no Athletics outstanding debt-related revenue bonds issued by UT System.

UTSA also receives proceeds from commercial paper issued and held by UT System to support capital equipment financing. The revenues of all UT System institutions, including UTSA, are pledged for repayment of the commercial paper. No amount of indebtedness related to the commercial paper has been recorded on UTSA’s financial statements.

As of August 31, 2018, UTSA (through UT System) had outstanding commercial paper related to Athletics totaling \$ 3,549,000.00. Debt service requirements to maturity for this outstanding debt are summarized as follows:

Fiscal Year	Principal	Interest*	Total
2019	260,000.00	53,156.26	313,156.26
2020	259,000.00	52,562.50	311,562.50
2021	259,000.00	50,716.89	309,716.89
2022	260,000.00	47,535.00	307,535.00
2023	261,000.00	39,735.00	300,735.00
2024	492,000.00	29,295.00	521,295.00
2025	443,000.00	14,707.50	457,707.50
2026	226,000.00	3,562.50	229,562.50
2027-2031	-	-	-
Total Requirements \$	2,460,000.00	291,270.65	2,751,270.65

* Interest on commercial paper is variable. Interest rate is based on forecast rates and is assumed to be 2.00% in FY18, 2.25% in FY19, 2.50% in FY20, 2.75% in FY21, and 3.00% in FY22 and beyond.



**The University of Texas at San Antonio
Independent Auditor’s Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

APPENDIX D

BUDGET TO ACTUAL COMPARISON OF MAJOR REVENUE AND EXPENSE CATEGORIES

Amounts for each major revenue category over 10% of the total revenues were compared to budget estimate amounts. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

S R E	Category	FY 2018 Revenue Estimate	FY 2018 SRE Actual	Variance (Actual less Estimate)	% Variance	Variance Explanation
4	Direct Institutional Support	\$2,888,073	\$5,760,628	\$2,872,555	50%	The President & VPBA transferred \$2.87M to cover projected deficit in Athletics
8	Contributions	\$1,587,500	\$3,273,905	\$1,686,405	52%	Gift contributions had only been partially budgeted in original budget model

Amounts for each major expense category over 10% of the total expenses were compared to budget estimate amounts. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

S R E	Category	FY 2018 Expense Estimate	FY 2018 SRE Actual	Variance (Actual less Estimate)	% Variance	Variance Explanation
20	Athletic Student Aid	\$6,760,407	\$6,029,598	(\$730,809)	-12%	Scholarships budgeted at 100% of possible student-athlete allocation and approximately 90% executed for the year
22	Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	\$5,419,519	\$6,227,775	\$808,256	13%	Increase in salary & benefits for head football coach (+\$233K) with addition of media and retention bonuses (+\$150K); increase in men’s head basketball coach’s salary and benefits (+\$300K), increase in women’s head basketball coach’s salary and benefits (+\$60K), and inclusion of accrued vacation payouts (+\$148K) for former coaches.
24	Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	\$4,712,379	\$4,007,358	(\$705,021)	15%	Increase in salary & benefits with hiring of new athletic director (+\$100K), addition of in-house Ticket staff (+\$200.5K), additional supplemental pay for Final Four staff (+\$67K), additional graphics position (+\$55K), and inclusion of accrued vacation payouts (+\$187K) for former employees



**The University of Texas at San Antonio
Independent Auditor’s Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2018**

APPENDIX E

FY 2017 TO FY 2018 COMPARISON OF MAJOR REVENUE AND EXPENSE CATEGORIES

Amounts for each major revenue category over 10% of the total revenues were compared to prior period amounts. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

S R E	Category	FY 2018 SRE	FY 2017 SRE	Variance (FY18 – FY17)	% Variance	Variance Explanation
4	Direct Institutional Support	\$5,760,628	\$4,630,202	\$1,130,426	24%	More direct institutional support was required in FY 2018 to cover projected deficit in Athletics
8	Contributions	\$3,273,905	\$1,765,092	\$1,508,813	85%	Increases in gift support for the Roadrunner foundation and spending from contributions received: \$1,132,378 for football and \$181,695 for men’s basketball.

Amounts for each major expense category over 10% of the total expenses were compared to prior period amounts. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

S R E	Category	FY 2018 SRE	FY 2017 SRE	Variance (FY18 – FY17)	% Variance	Variance Explanation
22	Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	\$6,227,775	\$5,583,499	\$644,276	12%	Increase in salary & benefits for head football coach (+\$233K) with addition of media and retention bonuses (+\$150K); increase in men’s head basketball coach’s salary and benefits (+\$300K), increase in women’s head basketball coach’s salary and benefits (+\$60K), and inclusion of accrued vacation payouts (+\$148K) for former coaches.
24	Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	\$4,712,379	\$4,057,844	\$654,535	16%	Increase in salary & benefits with hiring of new athletic director (+\$100K), addition of in-house Ticket staff (+\$200.5K), additional supplemental pay for Final Four staff (+\$67K), additional graphics position (+\$55K), and inclusion of accrued vacation payouts (+\$187K) for former employees