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System Audit Office

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January 15, 2015

Dr. Vistasp M. Karbhari, President
The University of Texas at Arlington
321 Davis Hall, Box 19125
Arlington, Texas 76019-0125

Dear President Karbhari:

We have completed our Report on the Application of NCAA Agreed-Upon Procedures for the Intercollegiate Athletics Program at The University of Texas at Arlington (UT Arlington) for the Fiscal Year Ended August 31, 2014. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided by you and the various departments at UT Arlington.

Sincerely,

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

cc: Ms. Kelly Davis, Vice President for Business Affairs and Controller
Mr. Jim Baker, Director of Athletics
Mr. John Mocek, Sr. Associate Athletics Director for Finance and Administration
Mr. Tony Burken, Associate Athletics Director for Business and Operations
Mr. Kenneth Schroeder, Chief Audit Executive-UT Arlington
Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs, UT System

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M. D. Anderson Cancer Center
The University of Texas
Health Science Center at Tyler

**The University of Texas at Arlington
Intercollegiate Athletics**

**Independent Auditor's Report on the
Application of Agreed-Upon Procedures
For the Year Ended August 31, 2014**



January 2015

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



**The University of Texas at Arlington
Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2014**

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 Arlington ("UT Arlington"), solely to assist in evaluating whether the accompanying Statement of Revenues and Expenses ("SRE") of UT Arlington is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16.1 for the fiscal year ended August 31, 2014. UT Arlington's management is responsible for the SRE and its compliance with those 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 greater than or equal to \$50,000 and misclassifications greater than or equal to \$150,000. Also attached to this report are the following appendices: **Appendix A**, UT Arlington Intercollegiate Athletics Program ("Athletics Department") SRE for the Fiscal Year Ended August 31, 2014; **Appendix B**, Findings and Recommendations; **Appendix C**, Follow-Up on Prior Year's Findings and Recommendations; and **Appendix D**, Notes to the Statement of Revenues and Expenses.

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

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

Revenue and expense amounts reported on the SRE were materially agreed to UT Arlington's general ledger. Various immaterial correcting adjustments were made during the engagement and are reflected on the final SRE. Please note there are certain items recorded on the SRE that are not required to be recorded in UT Arlington's general ledger system, such as out-of-state tuition waivers, indirect facilities and administrative support, and gifts in-kind. The NCAA requires that these items be reported on the SRE to fully reflect the operations of the Athletics Department.

2. Performed the following procedures for all revenue and expense categories applicable to UT Arlington:
 - a. Compared and agreed each operating revenue and expense category reported on 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 revenue and expense account to prior period amounts and budget estimates. Obtained and documented an understanding of any significant variations.

These procedures were performed for all of the revenue and expense categories listed below. Any material exceptions are noted below under the specific procedure, if applicable.

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.



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3. Compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UT Arlington on the SRE and the related attendance figures.

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

4. Compared and agreed student fees reported by UT Arlington on the SRE for the reporting period to student enrollments during the same reporting period. Obtained and documented an understanding of the institution's methodology for allocating student fees to intercollegiate athletics programs.

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

5. Selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to UT Arlington's general ledger and the SRE.

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

6. Compared contributions account to prior period amounts and budget estimates and obtained and documented an understanding of any significant variations. 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.

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

7. For compensation and benefits provided by a third-party, the agreed-upon procedures require the auditor to obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the institution. Selected a sample of funds from the Summary and compared and agreed each selection to supporting documentation and UT Arlington's general ledger.

The Athletics Department did not receive third-party funds for compensation or benefits.

8. Compared direct state or other governmental support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

The Athletics Department did not receive direct state or other governmental support.

9. Compared the direct institutional support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation.

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

10. Compared the indirect facilities and administrative support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation.

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



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11. For NCAA/Conference distributions, including all tournament revenues, obtained and inspected agreements related to UT Arlington's participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. Compared and agreed the related revenues to the institution's general ledger and the SRE.

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

12. Obtained and inspected agreements related to UT Arlington's participation in revenues from broadcast, television, radio and Internet rights to gain an understanding of the relevant terms and conditions. Compared and agreed related revenues to the institution's general ledger and the SRE.

The Athletics Department did not have broadcast, television, radio and Internet rights agreements.

13. For program sales, concessions, novelty sales, and parking, performed the minimum agreed-upon procedures referenced in procedure # 2.

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

14. Obtained and inspected agreements related to UT Arlington's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. Compared and agreed the related revenues to the institution's general ledger and the SRE.

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

15. Inspected sports-camp contract(s) between UT Arlington and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the institution's methodology for recording revenues from sports camps and obtained schedules of camp participants. Selected a sample of individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the institution's general ledger and the SRE.

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

16. Obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions. Compared and agreed the classification and use of endowments and investment income reported on the SRE during the reporting period to the uses of income defined within the related endowment agreement.

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

17. For other operating revenues, performed minimum agreed-upon procedures referenced in procedure # 2.

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

18. For athletic student aid, selected a sample of students from the listing of institutional student aid recipients during the reporting period. Obtained individual student-account details for each selection and compared total aid allocated from the related aid award letter to the student's account.

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



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19. Obtained and inspected contractual agreements pertaining to expenses recorded by UT Arlington from guaranteed contests during the reporting period. Compared and agreed related amounts expensed by UT Arlington during the reporting period to the institution's general ledger and the SRE.

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

20. For coaching salaries, benefits, and bonuses paid by the institution, obtained and inspected a listing of coaches employed by UT Arlington during the reporting period. Selected a sample of coaches' contracts from the above listing and compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UT Arlington on the SRE during the reporting period. Obtained and inspected relevant supporting documentation and compared to the related coaching salaries, benefits and bonuses paid and recorded by UT Arlington during the reporting period. Agreed the amounts reported on the SRE to the general ledger.

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

21. For coaching other compensation and benefits paid by a third-party, the agreed-upon procedures require the auditor to obtain and inspect a listing of coaches employed by third parties during the reporting period and compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third-party recorded on the SRE during the reporting period. Obtained and inspected W-2s, etc. for each selection and compared and agreed related W-2s, etc. to the coaching other compensation and benefits paid by a third-party expenses recorded by UT Arlington on the SRE during the reporting period.

Coaches did not receive compensation or benefits paid by third parties.

22. For support staff/administrative salaries, benefits and bonuses paid by the institution, selected a sample of support staff/administrative personnel employed by UT Arlington and related entities during the reporting period. Obtained and inspected relevant supporting documentation and compared to the related support staff/administrative salaries, benefits and bonuses paid and recorded by UT Arlington during the reporting period. Agreed the amounts reported on the SRE to the general ledger.

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

23. For support staff/administrative other compensation and benefits paid by a third-party, the agreed-upon procedures require the auditor to select a sample of support staff/administrative personnel employed by the third parties during the reporting period. Obtained and inspected W-2s, etc. for each selection and compared and agreed related W-2s, etc. to the related support staff/administrative other compensation and benefits expenses recorded by UT Arlington on the SRE during the reporting period.

Support and Administrative staff did not receive compensation or benefits paid by third parties.

24. Selected a sample of employees receiving severance payments from UT Arlington during the reporting period and agreed each severance payment to the related termination letter or employment contract.

The Athletics Department did not make any severance payments during Fiscal Year 2014.



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25. Obtained and documented an understanding of UT Arlington's recruiting expense policies. Compared and agreed to existing institutional- and NCAA-related policies.

No exceptions were noted as a result of these procedures.

26. Obtained and documented an understanding of UT Arlington's team travel policies. Compared and agreed to existing institutional- and NCAA-related policies.

No exceptions were noted as a result of these procedures.

27. Obtained and documented an understanding of UT Arlington's methodology for allocating indirect facilities and administrative support. Summed the indirect facilities-support and indirect institutional-support totals reported by the institution on the SRE. Compared and agreed indirect facilities and administrative support reported by UT Arlington on the SRE to the corresponding revenue category reported by the institution on the SRE.

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

28. For the following expense categories: team travel; equipment, uniforms and supplies; game expenses; fundraising, marketing and promotion; sports camp expenses; direct facilities, maintenance and rental; spirit groups; medical expenses and medical insurance; membership and dues; other operating expenses and transfers to institution, performed minimum agreed-upon procedures referenced in procedure # 2.

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

29. Identified and documented aspects of the institution's internal control structure unique to the Athletics Department.

No exceptions were noted as a result of these procedures.

30. Tested specific elements of the control environment and accounting systems that (1) are unique to intercollegiate athletics and (2) have not been addressed in connection with the audit of the institution's financial statements.

No exceptions were noted as a result of these procedures.

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

UT Arlington does not have any athletics-related affiliated and outside organizations with financial statements. UT Arlington does have the Maverick Club, which is operated by the Athletics Department.

32. Agreed the amounts reported on the SRE to the athletics-related and outside organization's general ledger.

UT Arlington does not have any athletics-related affiliated and outside organizations with financial statements. Therefore, this procedure does not apply.



**The University of Texas at Arlington
Report on the Application of Agreed-Upon Procedures
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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 UT Arlington's Athletics Department. 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 UT Arlington's institutional financial statements.

This report is intended solely for the information and use of UT Arlington 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 cursive script.

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

Handwritten signature of Moshmee Kalamkar in cursive script.

Moshmee Kalamkar, CPA, CIA
Manager of Audits



The University of Texas at Arlington
Report on the Application of Agreed-Upon Procedures
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APPENDIX A
THE UNIVERSITY OF TEXAS AT ARLINGTON INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

	Men's Basketball	Women's Basketball	Men's Track	Women's Track	Men's Tennis	Women's Tennis	Volleyball	Baseball	Softball	Men's Golf	Non-Program Specific	Total
Operating Revenues:												
Ticket Sales	\$ 123,723	\$ 10,052	\$ 9,809	\$ 9,809	\$ -	\$ -	\$ 8,937	\$ 37,218	\$ -	\$ -	\$ -	\$ 199,548
Student Fees	-	-	-	-	-	-	-	-	-	-	5,279,103	5,279,103
Guarantees	235,000	20,000	1,500	1,500	-	-	-	2,000	2,000	1,000	-	263,000
Contributions	875	1,050	575	-	375	-	10	55,432	-	61,690	156,358	276,365
3rd Party Compensation & Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Direct State or Other Govt. Support	-	-	-	-	-	-	-	-	-	-	-	-
Direct Institutional Support	127,190	114,566	73,908	96,878	64,376	77,828	52,260	38,280	52,656	58,916	2,964,440	3,721,298
Indirect Facilities & Admin. Support	-	-	-	-	-	-	-	-	-	-	1,152,445	1,152,445
NCAA/Conference Distributions	-	-	4,095	-	-	-	-	-	-	-	429,698	433,793
Broadcast, TV, Radio, Internet Rights	-	-	-	-	-	-	-	-	-	-	-	-
Program Sales, Concessions, & Parking	-	-	-	-	-	-	-	-	-	-	7,610	7,610
Royalties, Advertising, & Sponsorships	-	-	-	-	-	-	-	-	-	-	132,062	132,062
Sports Camp Revenues	23,582	35,957	-	-	-	-	14,800	15,240	1,150	-	-	90,729
Endowment & Investment Income	7,865	1,338	-	-	-	-	-	12,187	-	2,566	19,678	43,634
Other Operating Revenues	-	-	71,531	-	7,100	-	65	16,927	1,200	59,961	25,259	182,043
Total Operating Revenue	\$ 518,235	\$ 182,963	\$ 161,418	\$ 108,187	\$ 71,851	\$ 77,828	\$ 76,072	\$ 177,284	\$ 57,006	\$ 184,133	\$ 10,166,653	\$ 11,781,630
Operating Expenses:												
Athletics Student Aid	\$ 371,057	\$ 380,354	\$ 307,090	\$ 417,891	\$ 138,532	\$ 234,958	\$ 268,830	\$ 260,486	\$ 245,013	\$ 120,624	\$ 546,466	\$ 3,291,301
Guarantees	10,000	10,400	-	-	-	-	-	-	-	-	-	20,400
Coaching Salaries & Benefits	567,661	466,150	193,619	127,649	70,946	8,362	179,407	246,418	197,703	118,195	192,194	2,368,304
3rd Party Compensation & Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Support Staff/Admin Salaries & Benefits	11,960	-	-	-	-	-	6,028	2,177	-	-	2,180,893	2,201,058
3rd Party Support Staff	-	-	-	-	-	-	-	-	-	-	-	-
Severance Payments	-	-	-	-	-	-	-	-	-	-	-	-
Recruiting	18,629	36,265	3,830	506	-	-	4,687	9,938	8,691	935	-	83,481
Team Travel	187,803	112,031	129,387	103,267	45,934	41,746	117,360	202,590	139,390	66,496	2,469	1,148,473
Equipment, Uniforms, & Supplies	34,539	54,439	17,246	10,640	22,845	29,064	44,506	61,699	17,340	42,130	112,284	446,732
Game Expenses	126,902	110,387	30,775	2,858	12,168	8,205	36,275	46,008	21,344	39,174	534,938	969,034
Fundraising, Marketing, & Promotion	-	-	-	-	-	-	-	12,018	-	45,799	140,056	197,873
Sports Camp Expenses	3,807	22,145	-	-	-	-	1,784	554	-	-	-	28,290
Direct Facilities, Maintenance & Rental	319	250	2,331	-	-	-	-	11,241	2,900	3,381	223,236	243,658
Spirit Groups	-	-	-	-	-	-	-	-	-	-	51,203	51,203
Indirect Facilities & Admin. Support	-	-	-	-	-	-	-	-	-	-	1,152,445	1,152,445
Medical Expenses & Insurance	-	-	-	-	-	-	-	-	-	-	301,859	301,859
Memberships & Dues	2,200	3,715	1,050	1,950	500	3,705	1,035	-	1,867	1,295	222,090	239,407
Other Operating Expenses	38,599	28,140	5,376	8,749	1,089	764	4,511	24,057	3,852	4,446	204,974	324,557
Subtotal Operating Expenses	\$ 1,373,476	\$ 1,224,276	\$ 690,704	\$ 673,510	\$ 292,014	\$ 326,804	\$ 664,423	\$ 877,186	\$ 638,100	\$ 442,475	\$ 5,865,107	\$ 13,068,075
Transfers to Institution	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,373,476	\$ 1,224,276	\$ 690,704	\$ 673,510	\$ 292,014	\$ 326,804	\$ 664,423	\$ 877,186	\$ 638,100	\$ 442,475	\$ 5,865,107	\$ 13,068,075
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ (855,241)	\$ (1,041,313)	\$ (529,286)	\$ (565,323)	\$ (220,163)	\$ (248,976)	\$ (588,351)	\$ (699,902)	\$ (581,094)	\$ (258,342)	\$ 4,301,546	\$ (1,286,445)



**The University of Texas at Arlington
Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2014**

**APPENDIX B
FINDINGS AND RECOMMENDATIONS**

There were no reportable findings and recommendations from the agreed-upon procedures performed.



**The University of Texas at Arlington
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**APPENDIX C
FOLLOW-UP ON PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

There were no findings and recommendations for follow-up from the agreed-upon procedures performed in the prior year.



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

NOTE 1 – Summary of Significant Accounting Policies

Fiscal Year – UT Arlington’s fiscal year is the period beginning each September 1st and ending each August 31st of the subsequent calendar year.

Principles of Preparation – The SRE is prepared in accordance with the NCAA financial audit guidelines. Information used in the SRE’s preparation is obtained primarily from subsidiary ledger information recorded in UT Arlington’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.

Student Fees – In 1998, the UT Arlington student body voted to implement an athletic fee to fund the Athletics Department. The current athletic fee is \$8.50 per credit hour with a ceiling of \$115 per student per semester. Although UT Arlington has flat rate tuition, the athletic fee is allocated based on the previous student fee structure.

Direct Institutional Support – Direct Institutional Support is composed of amounts for out-of-state tuition waivers, work-study paid by the institution, and initial funding for the Athletics Department in the budgeting process. It also includes amounts expended by other institutional departments in support of the Athletics Department. The SRE deficit of approximately \$1.3 million was primarily funded by accumulated balances from unrestricted institutional reserve accounts.

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

For FY 2014, contributions on the SRE totaled \$276,365. Of this amount, there was one pledge payment of \$50,000 from a corporation to support an Athletics Department infrastructure project. There were no other 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.

NOTE 3 – Repayment Schedules for Outstanding Intercollegiate Debt

UT Arlington 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 UT Arlington, are pledged for repayment of the bonds. No amount of indebtedness related to these bonds has been recorded on UT Arlington’s financial statements.

NOTE 4 – Capital Expenditures

The Asset Management Office at UT Arlington manages the accountability and responsibility for state property according to the provisions of state law and the Board of Regents’ *Rules and Regulations*. The State Comptroller has developed a State Property Accounting (“SPA”) guide to assist the state government in accounting for state and federal government property. SPA is also intended to serve as a governmental tool to assure the public that the assets entrusted to state agencies are being maintained and used properly. The procedures for Asset Management adopted by UT Arlington are in accordance with SPA guidelines.



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NOTE 5 – Indirect Facilities and Administrative Support

The indirect facilities and administrative support line item reflects UT Arlington Athletics-related depreciation expense on property, plant, and equipment and a three percent administrative fee based on the Athletics Department's total operating expenses less Athletics Student Aid expenses. This three percent administrative fee was not an actual dollar amount charged to the Athletics Department but reflects an estimated value of indirect facilities and administrative support.