



January 15, 2019

Diana Natalicio, Ph.D., President
The University of Texas at El Paso
500 West University Avenue
Administration Building, Room 500
El Paso, Texas 79968-0500

Dear President Natalicio:

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 El Paso (UTEP) 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 UTEP'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
Mark McGurk, Vice President for Business Affairs, UTEP
Jim Senter, Director of Athletics, UTEP
Daniel Garcia, Assistant Director of Internal Operations, UTEP
Claudia Vanderslice, Athletics Business Manager, UTEP
Fadia Rouhana, Athletics Aid Coordinator, UTEP
Lori Wertz, Chief Audit Executive, UTEP

**The University of Texas at El Paso
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 El Paso
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 El Paso (UTEP), solely to assist UTEP management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTEP'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 ended (FYE) August 31, 2018. UTEP'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 1% of total revenues or expenses.

Also attached to this report are the following appendices:

- *Appendix A*, SRE of Athletics for the FYE August 31, 2018;
- *Appendix B*, Finding and Recommendation;
- *Appendix C*, Notes to the SRE;
- *Appendix D*, Budget to Actual Comparison of Major Revenue and Expense Categories; and
- *Appendix E*, Prior Period Comparison of Major Revenue and Expense Categories

Minimum Agreed-Upon Procedures for Revenue, Expenses, and Other Reporting Items

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

*With the exception of SRE reporting categories Contributions and Athletics Restricted Endowments and Investment Income, revenues, expenses, and other reporting items reported on the SRE materially agreed to the amounts reported in UTEP's general ledger. Material variances 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 UTEP's general ledger, including indirect institutional support and in-kind amounts from sponsorship agreements. However, 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 UTEP. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.

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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- 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 explanation 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. If applicable, any material exceptions are noted below under the specific reporting category.

- Identify aspects of UTEP's internal control structure that are unique to the intercollegiate athletics department. Test 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 UTEP's financial statements.

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

- Identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Agree the amounts reported in the SRE to the organization's general ledger or confirm revenues and expenses directly with a responsible official of the organization.

UTEP identified the Century Club and the Touchdown Club as its affiliated and outside organizations for Athletics. Affiliated and outside organizations include entities that have a primary purpose that benefits Athletics and are not under the institution's accounting control. The Century Club is a not-for-profit 501(c)(3) fund-raising organization that supports Men's Golf. It is under UTEP's accounting control, and its revenues and expenses are recorded in UTEP's general ledger and are included in the SRE. The Touchdown Club is a not-for-profit 501(c)(3) fund-raising organization that supports Football by providing financial assistance to underwrite programs, training, coaching, equipment, and other activities. Expenses funded by the Touchdown Club were recorded in UTEP's general ledger and included in the SRE.

Minimum Agreed-Upon Procedures for 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 UTEP 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 UTEP in the SRE for the reporting period to student enrollments during the same reporting period and recalculate totals.



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3. Obtain documentation of UTEP's methodology for allocating student fees to intercollegiate athletics programs.
4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, 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 UTEP 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 during the reporting period.

Direct Institutional Support

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

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

Transfers Back to Institution

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

Procedure was not applicable. Athletics did not have any transfers back to the institution during the reporting period.

Indirect Institutional Support

8. Compare the indirect institutional support recorded by UTEP 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 UTEP'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 UTEP's general ledger and/or the SRE and recalculate totals.

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



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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.

There were no individual contributions of moneys, goods, or services received directly by Athletics from an affiliated or outside organization that constituted 10% or more of all contributions received for Athletics during the reporting period. As no individual contributions constituted 10% or more of all contributions received during the reporting period, we did not present a listing in a supplemental schedule to the SRE.

*However, a material misclassification was noted as a result of this procedure. Contributions was overstated in the draft SRE by \$410,000. This category was corrected in the final SRE that appears in **Appendix A** of this report. See related finding and recommendation in **Appendix B**.*

In-Kind

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

Procedure was not applicable. Athletics did not have any in-kind revenues during the reporting period.

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 UTEP. Select a sample of funds from the Summary and compare and agree each selection to supporting documentation, UTEP's general ledger, and/or the Summary and recalculate totals.

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

Media Rights

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

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

NCAA Distributions

16. 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.



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Conference Distributions

17. Obtain and inspect agreements related to UTEP's conference distributions and participation in revenues from tournaments during the reporting period for relevant terms and conditions.
18. Compare and agree the related revenues to UTEP'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

19. 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

20. Obtain and inspect agreements related to UTEP's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period for relevant terms and conditions.
21. Compare and agree the related revenues to UTEP's general ledger and/or the SRE and recalculate totals.

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

Sports-Camp Revenues

22. Inspect sports-camp contracts between UTEP and persons conducting institutional sports-camps or clinics during the reporting period to obtain documentation of UTEP's methodology for recording revenues from sports-camps.
23. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agree each selection to UTEP'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

24. Obtain and inspect endowment agreements for relevant terms and conditions.
25. 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.

*A material misclassification was noted as a result of these procedures. Athletics Restricted Endowment and Investment Income was understated in the draft SRE by \$410,000. This category was corrected in the final SRE that appears in **Appendix A** of this report. See related finding and recommendation in **Appendix B**.*



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Other Operating Revenue

26. 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

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

Procedures were not applicable. Athletics did not have any bowl revenues during the reporting period.

Minimum Agreed-Upon Procedures for Expenses

Athletic Student Aid

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

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

Guarantees

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

35. Obtain and inspect a listing of coaches employed by UTEP and related entities during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing.
36. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTEP and related entities in the SRE during the reporting period.



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37. 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 UTEP and related entities expense recorded by UTEP in the SRE during the reporting period.
38. 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

39. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing.
40. 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 UTEP in the SRE during the reporting period.
41. 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 UTEP in the SRE during the reporting period and recalculate totals.

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

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

42. Select a sample of support staff/administrative personnel employed by UTEP and related entities during the reporting period.
43. 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 UTEP and related entities expense recorded by UTEP 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

44. Select a sample of support staff/administrative personnel employed by third parties during the reporting period.
45. 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 paid by a third party expense recorded by UTEP in the SRE during the reporting period and recalculate totals.

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



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Severance Payments

46. Select a sample of employees receiving severance payments by UTEP 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

47. Obtain documentation of UTEP's recruiting expense policies.
48. Compare and agree to existing institutional- and NCAA-related policies.
49. 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

50. Obtain documentation of UTEP's team travel policies.
51. Compare and agree to existing institutional- and NCAA-related policies.
52. 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

53. 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

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.

Fund Raising, Marketing, and Promotion

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.

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

Sports-Camp Expenses

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.



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Spirit Groups

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.

Athletic Facility Debt Service, Leases and Rental Fees

58. 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).
59. 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

60. 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

61. 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

62. 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

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.

Other Operating Expenses and Transfers to Institution

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.



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Student-Athlete Meals (Non-Travel)

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.

Bowl Expenses

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.

Procedure was not applicable. Athletics did not have any bowl expenses during 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 UTEP's supporting equivalency calculations. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the supporting equivalency calculations, inquire about the discrepancy and report the justification in the AUP report.

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

- For Sports Sponsorship: Obtain UTEP's Sports Sponsorship and Demographics Forms Report for the reporting year. Validate that the countable sports reported by UTEP 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 validated, ensure that UTEP has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

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

- 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 UTEP's financial aid records, of all student-athlete Pell Grants.

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

Minimum Agreed-Upon Procedures for Other Reporting Items

Excess Transfers to Institution and Conference Realignment 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.



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

Total Athletics Related Debt

68. 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.
69. Agree the total annual maturities and total outstanding athletic debt related to supporting documentation and UTEP's general ledger, as applicable.

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

Total Institutional Debt

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

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

Value of Athletics Dedicated Endowments

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

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

Value of Institutional Endowments

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

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

Total Athletics Related Capital Expenditures

73. Obtain a schedule of athletics related capital expenditures made by athletics, UTEP, and affiliated organizations during the reporting period.
74. 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 UTEP's financial statements.



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This report is intended solely for the information and use of UTEP 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 script.

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

Handwritten signature of Eric Polonski in cursive script.

Eric Polonski, CPA, CIA
Director of Audits



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APPENDIX A

THE UNIVERSITY OF TEXAS AT EL PASO DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
 STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

REVENUES	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues:						
1 Ticket Sales	\$ 557,155.00	\$ 991,366.00	\$ 25,230.40	\$ 17,596.58	\$ -	\$ 1,591,347.98
2 Direct State or Other Government Support	-	-	-	-	-	-
3 Student Fees	3,273,757.68	500,692.35	577,721.94	3,493,292.03	-	7,845,464.00
4 Direct Institutional Support	4,238,396.17	847,502.52	520,046.48	3,831,265.47	1,307,253.15	10,744,463.79
5 Transfers to Institution	-	-	-	-	-	-
6 Indirect Institutional Support	689,398.88	105,437.48	121,658.63	735,629.16	-	1,652,124.15
6A Indirect Institutional Support - Athletic Facilities						
Debt Service, Lease, and Rental Fees	437,793.70	18,675.70	21,548.88	144,388.56	-	622,406.84
7 Guarantees	800,000.00	-	4,500.00	11,500.00	-	816,000.00
8 Contributions	682,384.01	1,168,689.59	267,579.91	462,011.55	95,888.20	2,676,553.26
9 In-Kind	-	-	-	-	-	-
10 Compensation and Benefits Provided by a Third-Party	62,090.32	39,646.41	15,427.32	25,306.12	16,070.00	158,540.17
11 Media Rights	116,819.70	68,348.80	20,594.84	2,974.00	-	208,737.34
12 NCAA Distributions	627,716.11	96,003.64	110,773.43	669,810.02	-	1,504,303.20
13 Conference Distributions	1,057,271.09	122,049.88	29,620.25	179,103.78	-	1,388,045.00
14 Program, Novelty, Parking, and Concessions Sales	147,184.20	35,432.41	20,160.48	121,903.66	-	324,680.75
15 Royalties, Licensing, Advertisements, and Sponsorships	1,311,348.50	775,950.44	193,519.92	41,765.98	55,000.00	2,377,584.84
16 Sports Camp Revenues	9,300.00	25,929.58	3,650.00	45,649.19	-	84,528.77
17 Athletics Restricted Endowment and Investment Income	46,311.94	215,138.72	210,708.45	47,173.72	3,347.00	522,679.83
18 Other Operating Revenues	116,228.82	23,426.64	61,030.39	120,259.06	16,902.34	337,847.25
19 Bowl Revenues	-	-	-	-	-	-
TOTAL OPERATING REVENUES	\$ 14,173,156.12	\$ 5,034,290.15	\$ 2,203,771.33	\$ 9,949,628.87	\$ 1,494,460.69	\$ 32,855,307.17
EXPENSES						
Operating Expenses:						
20 Athletic Student Aid	\$ 2,365,507.38	\$ 355,433.62	\$ 360,299.32	\$ 3,424,115.03	\$ 1,316,753.36	\$ 7,822,108.71
21 Guarantees	250,000.00	217,075.00	109,689.97	75,022.88	-	651,787.85
22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	2,479,608.15	1,239,727.29	596,682.94	1,502,883.42	-	5,818,901.80
23 Coaching Other Compensation and Benefits Paid by a Third-Party	37,413.00	34,946.41	15,427.32	25,306.12	-	113,092.85
24 Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	585,498.25	177,918.54	43,681.54	9,946.95	3,266,333.45	4,083,378.73
25 Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party	24,677.32	4,700.00	-	-	16,070.00	45,447.32
26 Severance Payments	823,720.77	172,372.76	-	-	295,378.12	1,291,471.65
27 Recruiting	245,677.88	174,850.31	94,587.36	143,745.40	-	658,860.96
28 Team Travel	1,280,900.76	404,240.22	227,576.26	1,085,445.89	-	2,998,163.13
29 Sports Equipment, Uniforms, and Supplies	348,036.67	105,387.81	47,715.29	302,980.82	-	804,120.59
30 Game Expenses	546,247.78	328,740.16	118,342.89	114,952.40	-	1,108,283.23
31 Fund Raising, Marketing, and Promotions	328,879.26	125,444.77	74,054.34	294,083.91	142,288.20	964,750.48
32 Sports Camp Expenses	13,037.30	14,542.30	2,064.41	20,044.28	-	49,688.29
33 Spirit Groups	130,663.13	19,983.77	23,058.20	139,425.26	-	313,130.36
34 Athletic Facilities Debt Service, Leases, and Rental Fees	437,793.70	442,892.66	445,765.84	159,915.73	-	1,486,367.93
35 Direct Overhead and Administrative Expenses	627,352.60	109,370.18	83,461.98	327,240.72	23,730.12	1,171,155.60
36 Indirect Institutional Support	689,398.88	105,437.48	121,658.63	735,629.16	-	1,652,124.15
37 Medical Expenses and Medical Insurance	353,150.31	55,673.22	65,644.64	418,382.13	5,939.69	898,789.99
38 Memberships and Dues	143,458.89	25,680.77	25,546.27	158,815.07	9,228.00	362,729.00
39 Student-Athlete Meals	336,486.31	87,320.91	23,853.53	97,772.11	23,621.08	569,053.94
40 Other Operating Expenses	280,914.21	109,986.56	16,552.96	101,412.81	66,862.00	575,728.54
41 Bowl Expenses	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 12,328,422.55	\$ 4,311,724.74	\$ 2,495,663.69	\$ 9,137,120.09	\$ 5,166,204.02	\$ 33,439,135.10
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	\$ 1,844,733.57	\$ 722,565.41	\$ (291,892.36)	\$ 812,508.78	\$ (3,671,743.33)	\$ (583,827.93)



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APPENDIX B
FINDING AND RECOMMENDATION

The following is our engagement finding, related recommendation, and management's response.

Material Misclassification

We identified one material misclassification of \$410,000.00 on the SRE that affected Category 8 – Contributions and Category 17 – Athletics Restricted Endowment and Investment Income. Total debt service paid for the Foster and Stevens Basketball Complex totaled \$848,433.92. Since the original source of funds to support debt service payments for the athletic facility was from a gift, it was classified as a contribution. However, the gift was then invested with The University of Texas/Texas A&M Investment Management Company (UTIMCO) in an endowment. During the reporting period, \$410,000.00 of the debt service came from endowment investment income and should be recorded in athletics restricted endowment and investment income. The remaining \$438,433.92 came from the gift and should be recorded in contributions.

In addition, we identified three athletic endowments that Athletics had not been previously aware of. The investment earnings from these three endowments did not result in a material variance between the original and final SREs. During preparation of the SRE, Athletics works with the Office of Accounting and Financial Reporting to determine the amount of endowment earnings to report on the SRE; however, it appears that a complete list of athletic endowments had not been provided to Athletics.

Adjustments to correct the misclassification were made to the final SRE that appears in *Appendix A* of this report.

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

Recommendation: Going forward, Athletics should ensure that amounts used to fund debt service payments for athletic facilities from endowments are appropriately classified among contributions and endowment income on the SRE. Athletics should also work with the Office of Accounting and Financial Reporting and Asset Management and Development to ensure that it has a complete listing of all athletic endowments. A listing of athletic endowments may be downloaded from UTIMCO's Component Reporting Information System to help ensure accuracy and completeness.

Management's Response: *UTEP athletics is committed to reviewing the finding as well as the recommendation made by UT System Audit. We will set up meetings and review sessions with all parties involved (General Accounting, Athletics, University Development) to review and improve current processes and communication.*

Implementation Date: *December 1, 2019. UTEP athletics will work with the corresponding departments to ensure that the recommendation for improved processes are implemented as quickly as possible and before the next report is due for FY19 revenues and expenses.*



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**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 UTEP’s financial accounting system. Other information, such as amounts estimated for non-cash trade-out agreements and gifts-in-kind, is obtained from records maintained by Athletics. The SRE presents activity for Fiscal Year (FY) 2018. UTEP’s FY is the period beginning each September 1st and ending each August 31st of the subsequent calendar year.

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

There were no individual contributions of moneys, goods, or services received directly by Athletics from an affiliated or outside organization that constituted 10% 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 UTEP 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 UTEP. 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	\$13,183,000.00
Total Institutional Debt	\$251,028,000.00
Value of Athletics Dedicated Endowments	\$12,660,302.09
Value of Institutional Endowments	\$262,396,059.88
Total Athletics Related Capital Expenditures	\$130,265.47

NOTE 5 – Future Debt Repayment Schedule

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



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As of August 31, 2018, UTEP (through UT System) had outstanding debt related to Athletics totaling \$11,912,000.00. Debt service requirements to maturity for this outstanding debt are summarized as follows:

Fiscal Year		Principal	Interest	Total
2019	\$	569,000.00	697,267.60	1,266,267.60
2020		395,000.00	668,867.60	1,063,867.60
2021		174,000.00	649,117.60	823,117.60
2022		182,000.00	640,417.60	822,417.60
2023-2027		2,008,000.00	2,998,277.00	5,006,277.00
2028-2032		3,309,000.00	2,209,544.60	5,518,544.60
2033-2037		3,705,000.00	1,170,312.60	4,875,312.60
2038-2042		1,570,000.00	148,741.20	1,718,741.20
Total Requirements	\$	11,912,000.00	9,182,545.80	21,094,545.80

UTEP 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 UTEP, are pledged for repayment of the commercial paper. No amount of indebtedness related to the commercial paper has been recorded on UTEP’s financial statements.

As of August 31, 2018, UTEP (through UT System) had outstanding commercial paper related to Athletics totaling \$1,271,000.00. Debt service requirements to maturity for this outstanding debt are summarized as follows:

Fiscal Year		Principal	Interest*	Total
2019	\$	326,000.00	25,846.88	351,846.88
2020		325,000.00	20,568.76	345,568.76
2021		322,000.00	13,729.38	335,729.38
2022		290,000.00	5,677.50	295,677.50
2023		8,000.00	127.50	8,127.50
Total Requirements	\$	1,271,000.00	65,950.02	1,336,950.02

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



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APPENDIX D

BUDGET TO ACTUAL COMPARISON OF MAJOR REVENUE AND EXPENSE CATEGORIES

Revenues

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

Cost Center	Revenue Estimate	Recognized Revenue	Variance	% Variance	Variance Explanation
29266723	2,156,000.00	7,845,464.00	(5,689,464.00)	-72.52%	The additional allocation is to account for less than anticipated ticket and gift revenue.
29266710	4,814,642.00	5,387,687.50	(573,045.50)	-10.64	This is related to additional interest and auxiliary revenue available for athletics operations.

Expenses

Amounts for each major expense account over 10% of the total expenses was compared to budget estimate amounts. There were no major expenses accounts over 10% of total expenses that had variances over 10%. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

Cost Center	Budget	Expenses	Variance	% Variance	Variance Explanation
29266340	2,313,628.00	2,732,162.75	(418,534.75)	-15.32%	The variance is due to hiring a new coaching staff at higher salaries and more positions.



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APPENDIX E
PRIOR PERIOD COMPARISON OF MAJOR REVENUE AND EXPENSE CATEGORIES

Revenues

Amounts for each major revenue account 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.

ID	Category	FY 2018 SRE	FY 2017 SRE	Variance	% Variance	Variance Explanation
4	Direct Institutional Support	10,744,463.79	8,800,675.23	1,877,535.36	22.09%	This is due to having to pay several severance payments to terminated coaches and the hiring of new coaching staff and the costs associated with hiring new staff.

Expenses

Amounts for each major expense account over 10% of the total expenses was compared to prior period amounts. There were no major expenses accounts over 10% of total expenses that had variances over 10%.